DOCUMENT RESUME

ED 299 870 HE 021 753

AUTHOR	Geiger, Roger L.
TITLE	Privatization of Higher Education: International Trends & Issues. Report of a Conference (Racine, Wisconsin, June 15-18, 1987).
INSTITUTION	International Council for Educational Development, Princeton, NJ.
SPONS AGENCY	EXXON Education Foundation, New York, N.Y.
REPORT NO	ISBN-0-89192-217-2
PUB DATE	88
NOTE	71p.
AVAILABLE FROM	International Council for Educational Development, 20 Nassau Street, Princeton, NJ 08540.
PUB TYPE	Collected Works - Conference Proceedings (021) -- Information Analyses (070) -- Reports - Evaluative/Feasibility (142)
EDRS PRICE	MF01 Plus Postage. PC Not Available from EDRS.
DESCRIPTORS	Administrative Policy; *College Administration; College Planning; Comparative Education; Educational Development; *Educational Finance; Educational Planning; Educational Policy; Foreign Countries; *Government Role; *Higher Education; *International Education; *Private Financial Support
IDENTIFIERS	*Privatization

ABSTRACT

Based on papers and dicussion at an international Wingspread conference on the privatization of higher education, this monograph provides an analysis and assessment of the issue from the point of view of an invited participant. The following chapters are presented: "The Issues of Privatization in International Perspective" (an overview of recent changes in systems of higher education); "Privatization in Historical Context" (describing trends in higher education over the past 30 years and the place of privatization in those trends); "National Cases of Privatization" (discussing the experiences and limitations of four "welfare states," Australia, Britain, Belgium and Sweden; the Napoleonic educational structures of France, Italy and Spain; the mass private sectors of Brazil, Colombia, Puerto Rico and Japan; third world countries; and the United States); "The Issues of Privatization" (examining the differences between public and private institutions, the articulation of higher education and society, voluntary support and corporate research, and private resources from student charges); and "Privatization in a Contemporary Perspective" (containing brief concluding comments). Contains 90 notes and references. (KM)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

ED 299870

PRIVATIZATION OF HIGHER EDUCATION: INTERNATIONAL TRENDS & ISSUES

by
Roger L. Geiger
Pennsylvania State University

"PERMISSION TO REPRODUCE THIS MATERIAL IN MICROFICHE ONLY HAS BEEN GRANTED BY

ICED

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

☑ This document has been reproduced as received from the person or organization originating it.

☐ Minor changes have been made to improve reproduction quality

• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy

IC International Council for Educational Development
ED Conference Book

2

CE 053 753

International Council for Educational Development

CONFERENCE REPORT: PRIVATIZATION OF HIGHER EDUCATION

Wingspread
Racine, Wisconsin
June 15-18, 1987

by
Roger L. Geiger
Pennsylvania State University

Preface
by
James A. Perkins

Copyright © 1988 by International Council for Educational Development
20 Nassau Street, Princeton, NJ 08540

ISBN No. 0-89192-217-2

Printed in the United States of America

Distributed by Interbook Inc., 131 Varick St., New York, N.Y. 10013

Contents

List of Participants i

Preface v
James A. Perkins

1. The Issues of Privatization in International Perspective 1

2. Privatization in Historical Context 4

3. National Cases of Privatization 9

4. The Issues of Privatization 39

5. Privatization in a Contemporary Perspective 52

Notes 54

List of Participants

Alain Bienaymé
Professor of Business Economics
Université de Paris IX-Dauphine
Paris, *France*

Ernest L. Boyer
President
The Carnegie Foundation for the Advancement of Teaching
Princeton, New Jersey, *USA*

Barbara Burn
Director, International Programs
University of Massachusetts
Amherst, Massachusetts, *USA*

Rafael Cartagena
Chancellor
Inter-American University of Puerto Rico
Hato Rey, *Puerto Rico*

Harlan Cleveland
Dean Emeritus
Hubert H. Humphrey Institute of Public Affairs
University of Minnesota
Minneapolis, Minnesota, *USA*

Philip H. Coombs
Vice-Chairman
International Council for Educational Development
Essex, Connecticut, *USA*

Heitor Gurgulino de Souza
Rector
United Nations University
Tokyo, *Japan* (Brazil)

Roger L. Geiger
Department of Higher Education
Pennsylvania State University
University Park, Pennsylvania, *USA*

Aklilu Habte
The World Bank
Washington, D.C. *USA* (Africa)

Clark Kerr
President Emeritus
University of California
Berkeley, California, *USA*

Alexander Kwapong
Vice Rector, Institutional Planning and Resource Development
United Nations University
Tokyo, *Japan* (Ghana)

Martin Meyerson
President Emeritus
University of Pennsylvania
Philadelphia, Pennsylvania, *USA*

Michio Nagai
Senior Advisor to the Rector
United Nations University
Tokyo, *Japan*

Alfonso Ocampo Londoño
Rector, ICESI (Colombia Institution of Higher Studies)
Cali, *Colombia*

Robert L. Payton
Miller Center of Public Affairs
University of Virginia
Charlottesville, Virginia, *USA*

James A. Perkins
Chairman, International Council for Educational Development
Princeton, New Jersey, *USA*

The Lord Perry of Walton
The Open University in Scotland
Edinburgh, *Great Britain*

Paola Coppola Pignatelli
Professor of Architecture
University of Rome
Rome, *Italy*

Joseph Slater
President
John J. McCloy International Center
New York, New York, *USA*

Paper Presented but not Attending

Ricardo Diez Hochleitner
Fundacion Santillana
Madrid, *Spain*

Torsten Husén
Professor Emeritus
Institute for Study of International Problems in Education
Stockholm, *Sweden*

Henri Janne
Institut de Sociologie
Université Libre de Bruxelles
Brussels, *Belgium*

Martin A. Trow
Director, Center for Studies in Higher Education
University of California
Berkeley, California, *USA*

Preface

The International Council for Educational Development is a private international institution for the comparative study of priority problems of world education. Each year, in conjunction with its board meeting, the ICED conducts a special seminar on a specific topic of international concern. This past year, in association with the Johnson Foundation of Racine, Wisconsin, the trustees discussed "The Privatization of Higher Education." They prepared papers on their own countries' experiences and devoted three days to presenting and comparing these experiences.

Prof. Roger Geiger of Pennsylvania State University was an invited participant and agreed to write a monograph based on the papers, the discussion, and his own previous study of this problem on which he is arguably the leading authority. His book, *Private Sectors in Higher Education*, was the required reading for the meeting. A grant from the Exxon Education Foundation made this study possible.

This is an important book for a number of reasons.

First of all, the current interest in the increased privatization of higher education is on the agenda of many countries of the world. Partly as a response to restricted budgets coming from the economic slowdown of the 1980s, colleges and universities have sought sources of income outside the taxing authority of their governments. And restricted budgets have led to conflicting desires of governments to exercise tighter control over funds still available while at the same time urging various institutions of higher education to seek private resources on their own. The two conflicting drives have helped to push this issue to the top of educational agendas.

Roger Geiger's book is also important because, for the first time, this development has been studied on a comparative basis which has shed new light for even reasonably sophisticated observers on their own national arrangements. One trustee was surprised and comforted to discover that the state monopoly of higher education in his country is more the norm than the exception. Reasonably well-informed people in the United States were, and are, equally sur-

prised that there are other countries with a larger private sector than that found in the United States. It was equally revealing to discover that in some countries their private institutions were in the bottom quartile of excellence while in others, perhaps particularly in the United States, major private universities were highly visible members in the top quartile. Once again, a comparative view reinforces the notion that one can learn a great deal about one's own system by noting how similar problems are handled in other societies.

Finally, this is an important book because the discussion in the seminar and Roger Geiger's book widened the curtain on this topic beyond an interest in the role of private institutions to the increased attention to private resources for public institutions. Privatization, on this large screen then, includes increased family and student contributions through gifts and grants, and the contributions of private business, either directly or through research contracts. And an important addition to this larger picture is the evidence that many governments, such as Belgium, Japan, and the United States, have supported their private institutions directly or indirectly through student grants and loans.

It can be readily seen that the problems here are both intricate and important. All this underlines the complexity of the task assigned to Roger Geiger and, for those of you who will read this book carefully, it will bring an appreciation of the skill with which he has threaded his way through these different systems and different experiences to produce a picture of this important trend in higher education.

James A. Perkins
Chairman, ICED

1. The Issue of Privatization in International Perspective

Systems of higher education when viewed as social artifacts would appear to exemplify national cultures. Yet they also are interconnected from one country to another in a number of different ways. Each system is oriented toward bodies of knowledge that transcend national boundaries and are, in fact, created and constantly amended by international communities of scientists and scholars. Each sends its graduates off to seek livelihoods in economies that are also linked and influenced by the channels of international commerce. And, more indirectly, each system tends to reflect similar processes of social change, cultural diffusion, and demographic fluctuation. Not surprisingly, then, these idiosyncratic systems, each having its own administrative culture, legal structure, and institutional array, frequently exhibit patterns of development and change that on a deeper level reflect these fundamental commonalities. As a result, the dynamics of higher education in relation to society can show greater similarity from country to country than do specific features of individual systems.

Recollection of the recent past may lend plausibility to this point. Twenty years ago, in 1967, every developed country faced the challenge of expanding higher education to meet a burgeoning social demand. In this hopeful time, improving and expanding higher education was regarded as a leading national priority intended to fulfill individual expectations and advance national development. Ten years later, in 1977, those earlier hopes had been dampened. Higher education's capacity to effect cultural elevation, human capital formation, or social advancement now seemed far more modest. Enrollment growth in most advanced countries either dwindled or ceased altogether. Retrenchment became the watchword across many national systems. Today, in 1987, the atmosphere seems to have changed again. Discussions of higher education policy of late seem preoccupied with matters of efficiency and relevance—with achieving more higher education at less cost to society, or at least to government; and with linking higher education more closely with

the needs and the preferences of the private economy.

The mood, the atmosphere, the language of discourse of higher education, all seem palpably different as the 1980s draw to a close. But, to what extent are these manifestations superficial and evanescent—a part of the ever-changing gloss of fashion in higher education? Or, do they represent a decisive shift in the relationship between universities, governments and societies? Are these manifestations merely conspicuous but isolated examples, confined to a few countries? Or, do the changes that have occurred reflect fundamental reorientations of government policies toward higher education?

It was questions such as these that prompted the International Council for Educational Development [I.C.E.D.], in conjunction with the Johnson Foundation, to address the general theme of privatization in higher education in an international perspective. A Wingspread Conference on June 15 to 18, 1987, brought together a distinguished group of educators of wide international experience. They represented nine countries directly and four additional countries indirectly. It would scarcely be possible to summarize all the prepared papers and oral reports, let alone the far-ranging discussions that they engendered both during and after the formal meetings. The report that follows will rather be one individual's assessment of the issue of privatization derived from this rich material. In particular, the discussions of privatization in individual countries that follows in Section 3 are based substantially upon the Conference papers, as indicated in the end notes; but reference has been freely made to additional sources in order to expand upon certain points. This report, then, aspires to reflect the diverse viewpoints expressed at the Conference, without necessarily being confined or limited by them.

Given the genesis of this Conference and the many independent views that were represented, the meeting was hardly an attempt to make an ideological plea for privatization. Rather, it was an opportunity to evaluate the hypothesis that privatization had in fact become a significant trend in shaping recent higher education policies in the non-communist world. As an hypothesis, this contention first required a general theoretical grounding: not a predictive theory, of course, but a general understanding of the nature of higher

education systems and their transformations in recent times. Next, the data on recent manifestations of privatization in diverse systems of higher education had to be presented and evaluated. The third step called for critical interpretation of the evidence and its bearing upon the central hypothesis. Few conferences proceed in such a calculated manner; nor was this one an exception. This general plan of organization will nevertheless be followed in this report. The section that follows will attempt to present a historical rationale for the recent salience of manifestations of privatization. The third section will discuss the evidence, or lack of evidence, for privatization in each of the countries considered at the Conference. The fourth section will consider the principal issues of privatization in general terms; and the final section will offer a summary evaluation of the results.

2. *Privatization in Historical Context*

The monumental development of the last generation has been what Martin Trow described as the transition from elite to mass higher education.[1] His basic argument was that when higher education systems passed the threshold of educating more than 15 per cent of the relevant age cohorts, quantitative increases produced qualitative changes in the nature, the structure, and the outcomes of postsecondary education. Making these changes, however, proved to be a prolonged, grudging, and often traumatic process.

The actual patterns of this expansion were rather more similar in the advanced industrial countries than purely bookkeeping comparisons might suggest.[2] First came a spurt of extremely rapid growth in university enrollments. These additional students largely flowed into existing institutions that were in many respects ill-adapted to cope with them. Next came a period of crisis, caused in part by the difficulties and slow pace of adaptation to these new conditions, but heavily seasoned by other contemporary cultural and political issues. The crises were then followed or accompanied by a discernible phase of differentiation, in which new institutions were revised and put in place. The last phase involved implementing legislative and particularly financial arrangements that were intended to accommodate, and in a sense complete, the new system of mass higher education. The general pattern stands out in historical perspective: the most rapid enrollment growth occurred at the initiation of this process; investments in higher education tended to increase throughout, as systems had not only to expand, but to change as well; and the transformation was concluded with major financial commitments by government to underwrite the new system. In most countries this represented significant extensions of government financial responsibilities for higher education. Thus, from the late 1950s to the first half of the 1970s, an underlying trend of "nationalization" inexorably expanded government expenditures on higher education.

How this was done, of course, depended upon the nature of the system in question. In some mixed public/private systems the

government stepped in where it had never stepped before. Japan, where the feverish growth of the private sector was responsible for accommodating mass higher education, was led in 1970 to inaugurate substantial government subsidies of private colleges and universities in order to assure their solvency and uphold standards. The United States, between 1966 and 1972, put in place a set of federal programs that subsidized lower- and middle-income students through grants, loans, and work-study plans, thereby guaranteeing wide access to higher education as well as underwriting in part the tuition revenues of private institutions. In Belgium and the Netherlands (both publicly supported, mixed public-private systems), private universities achieved full funding from the state during these years, and on rather generous terms.[3] In Australia, a similar kind of commitment was made by the Commonwealth government in 1974, when it abolished student fees and state appropriations for higher education and became the sole supporter of the country's universities and colleges. In countries where national government was already the sole supporter (France, Sweden), this underlying trend of nationalization was expressed through expansion and innovation in publicly supported higher education.

This nationalizing trend encompassed far more than just finance. In most countries, nevertheless, it seemed to peak in the first half of the 1970s with the kind of major government commitments mentioned above. But not all of these commitments proved sustainable. In fact, the countries that had grown most dependent upon a single source of public support seem to have been most vulnerable to the eventual exhaustion of this long nationalizing trend. The government promises to Belgian universities proved overly magnanimous almost from the outset. For Australia, the apogee of the curve of national resources devoted to higher education was reached in 1975. The extreme manifestation of this general limitation of government support was undoubtedly the insistent retrenchment imposed upon British universities since 1981.

Systems with pluralistic bases of support have been somewhat more fortunate, but have not escaped this trend. In the United States it has taken the form of scaling back eligibility for certain forms of federal student aid, although there has also been administration gambits to abolish some programs entirely. Even seemingly affluent

Japan has been sorely wrestling with recurring budget deficits that have kept spending for higher education under consistent pressure. Thus, the macro-nationalizing trend that had dominated higher education systems for a generation gradually ground to a halt in the late-1970s.

The reasons for this development are only partly evident. Undoubtedly the sluggishness that plagued most national economies during these years would bear some of the blame. Austerity budgets have been the chief excuse for scaling back spending on higher education. Beyond this, it should be recognized that higher education was an issue that, after more than a decade of government attention and fiscal exertion, was largely resolved. Governments faced other problems stemming from the energy crisis, aging populations, environmental degradation, and economic dislocation. These matters could claim a higher priority now that the higher education system was fully elaborated. Moreover, judging from the results achieved by the mid-seventies, higher education might be regarded as a dubious vehicle for human capital investments. The returns to higher education for recent graduates during the era seemed to have shrunk, and the spectre of graduate unemployment became public concern.

Interestingly, each of these worries now appears to have been relative. National economies can fluctuate upward as well as downward; and spending priorities are just that—relative rankings of things that governments would like to do. As for declining returns to higher education, this phenomenon reflected several quirks of recent history: the large absolute size of 18 to 24 year-old cohorts as a result of the postwar baby booms; the large numbers of recent graduates; and the maladaptation of higher education to the workplace, which was only belatedly and incompletely addressed. The relativity of these factors was implicitly recognized by almost all governments. They did not take the position that their countries could get by with less higher education—although Britain would be an exception here, and at times perhaps France. Otherwise, nations have sought to maintain, or even extend through diversification, the levels of participation in higher education that was achieved in the mid-seventies. They have simply not wanted to pay any more. Thus, we come to the challenge of the 1980s—finding nongovernmental

resources for higher education: in short, the present trend toward privatization.

Privatization can be defined, then, as the net addition of private resources for higher education or the substitution of private resources for public ones. Viewed internationally, this phenomenon would seem to have the following components: 1) Growth in the relative share of privately controlled institutions (the private sector); 2) A shifting at the margin of the burden of financing higher education from government to student; and 3) The attempt to rely increasingly upon private patronage of public or private institutions, either through outright voluntary gifts or through mutually advantageous arrangements with industry. Somewhat less clear-cut would be the variety of efforts aimed at achieving greater articulation between higher education and the private sector of the economy.

Privatization has been a general phenomenon of the 1920s that has considerably transcended higher education.[4] Its most stark manifestations have undoubtedly been the divestment of publicly owned enterprises to private investors, but it has had a pervasive impact on the provision of government services, and especially on the public policy discourse about the provision of these services. The dimensions, duration, and likely future extent of this movement are uncertain at this juncture; however, the origins of this movement can be identified with greater certainty.

The beginning of the 1980s was marked by a widespread perception of the "crisis of the welfare state." The sense of crisis stemmed, no doubt, from the stagnation of economic growth in the latter 1970s, and particularly from stifling effects of the high rates of interest and inflation prevailing at the time. But more fundamentally, the welfare states of the West seemed to have reached inherent economic limitations: spending for governmental provision of social goods and services seemed to be diminishing the competitiveness of national economies, thus eroding their capacities to finance those very welfare expenditures at levels to which they had become accustomed. The most immediate priority consequently became the reinvigoration of those sagging economies. Assessing these prospects as early as 1981, A.H. Halsey foresaw that "the main determinant of social policy in this decade will be economic policy."[5] After its great expansion and disappointing performance as a

stimulant to economic growth, higher education was clearly vulnerable under this scenario. The predictable result was a decline in the relative share of national resources devoted to higher education, particularly in those countries where the preponderant share of the burden of finance was borne by government. The growing penury of higher education systems in the early 1980s, then, was the underlying negative stimulus for privatization.

A more positive inducement for privatization emerged from the desire to achieve a closer articulation with the private economy. Indeed, in Britain, Australia and the United States a radical case for privatization has been inspired by the freemarket human-capital theories of Milton Friedman.[6] This type of argument holds that a system of higher education driven by student demand would produce an optimum mix of offerings at a market-determined price. Actual government policies, however, have been far more moderate; their orientation has in fact been more toward the needs of industry than toward the supposed wishes of students. Governments have been particularly eager to assure that their considerable investments in university research would yield near-term, direct payoffs in economically relevant technology. In addition, they have sought to increase the amounts and kinds of services rendered to private industry in expectation of greater financial support for higher education in return.

Nevertheless, if these general tendencies are evident to some extent in most countries, the extent of their incidence has varied considerably. The nature of higher education systems, degrees of government control, political parties in power, and relative economic situations are perhaps the most salient variables. In the sections that follow, then, the countries that were discussed at the Conference will be grouped according to basic similarities of structural types in order to assess the incidence of the general international trend toward privatization in higher education.

3. National Cases of Privatization

Limitations of Welfare States: Australia, Britain, Belgium, and Sweden.

Although these four countries differ considerably as welfare states, their systems of higher education bear an essential similarity. All originally developed as decentralized, pluralistic systems, but since 1945 they have become almost totally funded, and to a lesser degree controlled, by their respective national governments, in which higher education was most immediately affected by the economic predicament of the welfare state.

Britain. During the great expansion of higher education Britain possessed the most widely admired (at least by academics) system of government support of higher education. The University Grants Committee [UGC] distributed government funds to the universities in ways that fully respected university automony. It also furnished sufficient resources to preserve pedagogical traditions that were at once quite costly and quite effective. The funds required to maintain a capacity for research were included in the UGC grants, while additional funds for specified research projects could be attained through awards from the Research Councils. The universities charged tuition as well, but these fees were covered as a matter of right by maintenance grants for all British students. As a result, British universities received all but a small fraction of their funds from the public purse.

The experience of British universities in the 1980s has been an illustration of the dangers inherent in that situation. In 1981 the Thatcher government imposed cuts in allocations to universities that were projected to equal 17 per cent over the next three years. Since then the budgetary pressures have continued to be relentless. From being a model for government funding of higher education, British universities have instead come to represent the worst case of the 1980s for government retrenchment. Privation, then, has been a painful stimulus for privatization.

Britain's only true private university, the University of Buckingham, stands as a precursor rather than a part of this trend. It was

conceived in the late 1960s in ideological reaction to the fear of political domination over the government-funded universities, rather than being a response to economic uncertainties.[2] There was, after all, no logic in creating a financially strapped private institution out of fear that government funded universities might themselves become financially strapped. After a long and difficult organizing effort, Buckingham opened its doors in 1976. It achieved a Royal Charter and full university status in 1983, which reflected both the official favor of the Conservative Government and the achievement of an ongoing, credible institution.

From its origins Buckingham sought academic respectability above all, instead of attempting to fulfill unmet student demand or establishing close relations with private industry. Only quite recently has it begun to consider these latter kinds of "service" roles. Buckingham has attempted to offer some new alternatives (two-year degrees, an European Community-oriented degree), but these initiatives anticipated rather than responded to student interests. In spite of its determined aloofness from government, Buckingham's success in becoming a small, but permanent private alternative has depended heavily upon government actions. The charging of full fees to overseas students at state-funded universities (1980) gave Buckingham a competitive edge in that market. The limited number of university places in law created excess demand by British students in that field. The most significant factor in attracting a British clientele to Buckingham has nevertheless been the attainment of mandatory-grant status for its home students. Since Buckingham's operating costs are financed largely through this subsidized tuition, the university is now significantly dependent upon the public purse. Buckingham has also looked to private gifts for the capital that permitted its founding and development. In recent years it has revamped its solicitations along the lines of an American university development office. Its small efforts, however, are now far overshadowed by the private fund-raising activities of the government-supported universities.

The transition to greater private financial input has been a difficult and unnatural process for British universities. Their former near-total dependence upon the public purse promoted an insularity from British society. This insularity had dire consequences.

When the universities were asked by Education Minister Shirley Williams to find ways of reducing their exceedingly high costs, they complacently refused to consider reforming themselves. And when Margaret Thatcher's budget axe fell, signifying a loss of traditionally unquestioned support by the governing elite, the universities found themselves without a political constituency to defend their interests.[3]

The first unequivocal step toward privatization occurred when the government imposed full-cost fees on all foreign students in 1980. This action generated enmity, particularly among former British colonies, and initially caused the number of foreign students to decline. According to a recent Government White Paper, however, foreign student enrollments have since risen to their previous levels, and the resulting fees now constitute no less than five per cent of the income of British universities.[4] For institutions with large foreign clienteles, preeminently the London School of Economics, this source of income is considerably more important. A British university degree remains a highly saleable commodity, and, unlike the case with home students, politicians need not concern themselves with the effects of high tuition on the social composition of foreign students.

As for the budget reductions, Walter Perry writes that "there is no doubt at all that they have achieved, in part, one of their objectives, namely to increase the input of private funding to the universities; but this has been done by Draconian measures with effects that are sometimes little short of disastrous."[5] The universities have undertaken systematic fund-raising efforts, even though this has been an awkward role for many vice-chancellors to fulfill. Universities have also created science parks and entered into consortia with local industries. Research income from private sources has been expanded so that it now equals two per cent of total university income. The overall change has been dramatic: in just four years (1980-84) the proportion of university income derived from nonpublic sources has increased from 17 to 26 per cent.[6] During a like span (1980-1986) university enrollments have been static, while the government reports a five per cent reduction in unit costs. The increased private input represents a real shifting of the burden of higher education finance from public to private sources. Nor can there be any

doubt about the government's intentions in the immediate future. The recent White Paper called for further development of the links that have been formed between universities and industry. It promises that "the government and its funding agencies will do all they can to encourage and reward approaches by higher education institutions which bring them closer to the world of business."[7]

Less than half of Britain's postsecondary students attend universities. But as the previous quotation implies, the polytechnics and colleges have been included in the same privatizing dicta. These institutions have experienced budget cutbacks as well, although unlike the universities they have had to absorb increasing numbers of students. As a result their supposed "efficiency" has been increased to the extent of a 15 per cent real reduction in expenditures per student. The entire area of continuing education provides another component of the drift toward privatization. The government makes a rigid distinction between initial education, which is in all cases subsidized, and continuing education, which is not. Continuing education programs on the postsecondary levels, most notably through the Open University, are thus largely financed by students or their employers. Their expansion in the 1980s, then, has added further to the flow of private resources in support of British higher education[8]

Australia. Like the United States, Australia possesses a federal political structure in which responsibility for education is lodged with the states. During the postwar expansion of higher education the Commonwealth government shouldered an increasing portion of the financial burden, and by the early 1970s it was the principal funder. Beginning in 1974 both subsidies from the states and student tuition were eliminated, leaving the national government as the sole funder of higher education.[9] From this point a subtle change in the politics surrounding higher education funding ensued. Instead of being regarded by Parliamentarians as a form of pork-barrel—bringing the national tax revenues back to the states—higher education expenditures became instead a large and growing budget item that needed to be brought under control.

Since 1975 funding for Australian colleges and universities has been stagnant in real terms; in terms of full-time students real

funding has fallen by 30 per cent; and as a proportion of total government spending, it has declined by more than 35 per cent—a clear indication of higher education's sinking relative priority.[10] This situation has not been catastrophic, but it has resulted in increasingly worrisome pressures within the system. Chiefly, these concern providing sufficient places for Australian students and adapting institutions to changing demands.

Given the Australian commitment to maintaining high standards, enrollments are limited by staffing levels, which in turn depend upon funding. During the late 1970s demand from higher education's traditional clientele, male secondary school graduates, was actually in decline. After 1980, however, demand rose considerably from women and part-time adults. The result has been increasing competition for places, particularly at urban locations. This situation promises to become further exacerbated as the government attempts to raise secondary graduation rates from 35 per cent (1983) to about 50 per cent of eighteen year-olds. It thus seems inescapable that there will soon be substantially greater demand for higher education and that it cannot be met under current financial arrangements.

Government austerity in Australia has been caused by a sagging economy beset by an adverse balance of trade and declining industrial competitiveness. Higher education might contribute to the first of these difficulties by generating foreign exchange through the sale of services to non-Australians [see below]. Contributing to the second problem through closer interaction with industry has been impeded by the very conditions of austerity. Australian universities enjoy a high degree of autonomy, and higher education as a whole is fully unionized. After a decade of financial stagnation, colleges and universities are desperately starved for discretionary funds. These realities make it nearly impossible to redeploy institutional resources in response to the evolving needs of the economy. Rather, additional funds are a virtual necessity in order to inaugurate new programs or revamp existing ones. To some extent such funds have been sought through philanthropy. The nationalization of higher education funding virtually extinguished a long tradition of private giving to education, but recent efforts have succeeded in inducing industry to support those programs in which it has a perceived stake. In addition, the Commonwealth government has provided the

incentive of a 150 per cent tax deduction for industry-funded university research. The result has been a significant infusion of private funds, flowing for the most part into the major universities. Nevertheless, private funds have not been adequate to provide the capital needed for such major expenditures as up-to-date computer science facilities or the modernization of science and engineering structures.

While voluntary support and patronage have become important sources of funds for Australian colleges and universities, the most salient aspects of privatization have concerned the charging of fees and the establishment of private, or hybrid institutions.[11]

The reintroduction of fees for Australian students has been an issue dominated by partisan politics. The governing Labor Party has ostensibly opposed such a move out of concern for the effects upon equitable social access. They nevertheless imposed a $250 administration fee on all students in 1986, which fell rather inequitably on those taking only one or two courses. The purpose of this fee was almost solely to alleviate pressure on the government budget, and not at all to affect the operation of the higher education system. The opposition Liberal party, on the other hand, has proposed student fees in order to introduce greater institutional flexibility and market sensitivity. It proposed having institutions charge students about 20% of per capita costs (c. $1500-2000 per year), while the government would provide studentships in this amount for something close to the current number of tertiary-level students. Additional students could thus enrol at their own expense. For the majority holding studentships, such an arrangement would be tantamount to a voucher system (and not very different from the arrangements existing before 1974 when most student tuition was paid by government grants). The difference from the existing system would be that part of college and university revenues would depend upon enrollments, and institutions could expand those programs with high student demand as they saw fit. More importantly, it was hoped that such a scheme would lift the fiscal lid holding down higher education enrollments.[12]

The proposal of the Australian Liberty Party represents perhaps the most far-reaching actual policy for the privatization of higher education finance. For now, however, all this is moot: Labor was reelected in 1987, and is unlikely to implement an opposition program. Instead, the new Minister of Education inaugurated his term

with a blast at the universities, which he described as "ossified bodies incapable of adaptation."[13] This appeared to be prelude to a new official policy—or perhaps an official sanctioning of existing developments. Faced with the problem of burgeoning student demand and inadequate government funds, colleges and universities were now being told, in effect *Enrichissez-vous*. This source of their enrichment is to be foreign students.

As in England, there has been scant political opposition to the charging of fees to foreign students, although the Australians have been notably more scrupulous in this regard. Australians have long maintained a distinction between "sponsored" students, a fixed quota who pay no fees, and "subsidized" students, also limited in number, who pay a percentage of full costs. In 1985 this policy was carried a step further by allowing otherwise qualified foreign students to enrol without limit by paying full-cost fees ($5000-$15,000 in 1987, depending upon the faculty). In addition, the percentage of full costs paid by subsidized students has been steadily hiked, reaching 45% (or $4500) in 1987, and going to 55% in 1988. This, according to the new Minister, "provide[s] unparalleled opportunities for innovative, enterprising institutions to broaden their resource base, to give staff and students. . .unique and satisfying opportunities to pursue new, otherwise inaccessible options."[14] It also raises the spectre of selling university places to foreigners, while denying them to qualified Australians. The number of full-fee foreign students are expected to rise from 500 in 1986 to 2000 in 1987, and additional recruitment should be enhanced by the recent publication of a semiofficial brochure, "Australian Study Opportunities: A Directory for Overseas Students."[15] More lucrative opportunities can be created, however, by organizing special courses for foreign students.

In the economically robust nations of the Pacific Rim, Australia can find an extensive demand for high-quality, English language, tertiary instruction. Attempts to tap this market have very recently produced a bewildering array of programs and institutional arrangements, including: "full-length degree programs offered *in situ* at offshore campuses; twinning arrangements. . .whereby the overseas student. . .does the first two years of coursework at the home institution and then comes to Australia for the final two years. . .;

externally packaged degree courses with on-ground tutorial assistance in the home country; [and] a host of short courses not for degree, specially packaged and delivered by Australian academics in the client country."[16] There is still some uncertainty about the extent of demand for such programs, but their very proliferation is testimony to their positive reception thus far—and also to the pressing needs of sponsoring institutions.

The motivation for Australian colleges and universities to organize these programs, as with attracting full-fee foreign students, is to gain extra funds that can be used for discretionary purposes—in effect, to make a "profit." To a certain extent, these projected profits are expected to arise from a more efficient utilization of existing capabilities. But if higher education can be sold for more than its marginal costs, a host of additional possibilities arise. Some of these are beginning to be worked out, and they undoubtedly constitute the most intriguing dimension of privatization in Australia.

Western Australia Institute of Technology (since renamed Curtin University), one of the most enterprising organizers of overseas courses, was the first to attempt to attract private investors. An agreement was almost concluded with a Japanese corporation to build a campus for foreign students at Yanchep, Western Australia, which would in effect have been managed by Curtin and have awarded Curtin degrees. The investors withdrew from the project, at least in its initial form, because of lack of support from the previous Commonwealth Government (i.e. before the announced *enrichissez-vous* policy).

On the other side of the country, however, on the Northern Coast of New South Wales, the Northern Rivers College of Advanced Education has succeeded in implementing just such a hybrid arrangement. An Australian land development company has agreed to build a campus for approximately 2000 students, named the Byron Bay International Academy. The Academy expects to derive most of its revenues from foreign students, but to cater to an Australian clientele as well. It will pay rent for the facilities to the developers, while the academic programs and degrees will be entirely controlled by Northern Rivers. The real payoff for the investors will lie in developing the adjacent properties, which are a part of Australia's fast developing Gold Coast. For Northern Rivers this arrangement will

give it the facilities to fulfill its intrinsic educational mission. Until now, it has had to cope with a student population explosion, completely inadequate facilities, and no prospects for increased government funding. The new campus at Byron Bay will allow it to expand from 1000 students in 1984 to 2500 in 1990, and to develop high-demand programs in physical education, the arts, continuing education, and environmental management. According to the Principal, "the Northern Rivers CAE will be getting $5 million worth of facilities at a token rental to overcome [its] present extreme deficiencies, plus housing for up to 200 of our students and the potential to earn income from overseas students."[17]

Larger, more novel, and more controversial has been the project of founding the completely private Bond University, also on the Gold Coast. This endeavor, in fact, represents a new departure in higher education, not just for Australia, but for the world. In short, the Bond University aspires to provide university education, including graduate education and research of first-class standards, while also producing a return on capital for its investors. A proprietary university of high academic standing—these are traits that have hitherto not been combined. In fact, uniting them in this case has been a complicated legal matter. Bond University received a charter from the Queensland government in 1987, giving it the same legal basis as other Australian universities. A nonprofit corporation will be formed to establish and operate the university. A public unit trust will actually own the university properties, including the associated research park, and will also develop the surrounding real estate. Australia's Bond Corporation and a Japanese partner propose to invest $125 million in launching the enterprise. They envision an institution of 1000 students by 1989, and full-scale operations with 2500 students by 1991. To head the new institution they have recruited ex-Curtin University Vice-Chancellor Don Watts, whose past academic and entrepreneurial experience would seem to be exemplary. He has already begun recruiting senior academic staff at salaries considerably above the rigid university schedule. A prestigious faculty will be essential to both the success of the research park and the university's recruitment strategy. In recruiting foreign students Bond University would like to compete with American research universities, over which it ought to have a significant cost advantage.

It hopes to attract Australian students through a combination of industry-sponsored scholarships and the merits of its programs.[18]

Can the Bond University formula succeed? The answer will no doubt depend as much upon future conditions in the market it aims to serve as much as the entrepreneurial abilities of its organizers. But assuming that conditions remain about as foreseen, and the university develops as planned, the more important question would seem to be, can this formula be replicated? Two vital extrinsic factors would seem to be quite difficult to anticipate—namely, real estate development and the availability of Japanese capital (the Japanese partners are putting up 80%). But perhaps the most essential factor is intrinsic to Australian higher education. Neither the Bond University nor, in a rather different market, the Byron Bay International Academy would be possible if the Commonwealth were fulfilling the responsibilities for higher education that it assumed in 1974. In this respect, the widespread developments toward privatization that have been taking place in Australia were largely engendered by this lapse in government responsibilities. Now that it is underway, privatization may become a permanent feature of Australian higher education, regardless of subsequent government policy.

Belgium. The university system of Belgium is distinctive in Europe for enrolling a majority of its students in privately controlled institutions. The cultural pluralism of Belgian society, rather than any aversion toward government, accounts for this development. The divergent cultural aspirations of Catholics and Freethinkers were responsible for the first two private universities (1934)—the resurrection of the Catholic University of Louvain and the Free University of Brussels. In the twentieth century it has been the rivalry of Flemings and Walloons that has driven the proliferation of mostly private university-level institutions. The state, nevertheless, has been centrally involved. The government began subsidizing the private universities early in the century, and in 1971 it assumed the burden for virtually their entire support. Conflict between cultural groups, in the form of demands for parallel social services, ratcheted up the state provision of support, not just for higher education, but for welfare expenditures in general. During the course of the 1970s, Belgium emerged from the era of nationalization with a university

system that had relatively high unit costs, and that had extended considerably beyond what a disinterested observer would regard as optimal dimensions. Belgium generally, and higher education in particular, were highly vulnerable to the incipient crisis of the welfare state.[19]

Until 1978 increases in the universities' budget exceeded increases in the cost of living; since that year they have failed to keep pace with those increases. For nearly a decade, then, the real resources available to universities have been contracting. Few other sources of funds have been available. Belgian students pay annual fees of approximately $325-400, but these sums are, in effect, counted against government appropriations.[20] The root problem stems from the fact that the transition to full government support in 1971 was accompanied by rigid financial guidelines for all categories of university expenditures. This budgetary straitjacket combined with government austerity has deprived the universities of discretionary income for implementing new programs.

Due to the peculiarities of the Finance Law, the major private universities have received the lowest per-student subsidization, and have thus been the most financially constrained. This has given them the greatest incentive to increase their incomes through the few channels available: namely, attracting more students and conducting more contract research. These efforts constitute one theme of privatization in Belgium. The private universities have taken the lead in the recruitment of nontraditional students, and have maintained their share of traditional students as well. Since 1976 the Belgian private sector has nudged its share of enrollments from 71 to 72 per cent. This is notable in light of the generally sluggish growth of university enrollments.

In a more systematic manner, government policy has explicitly addressed the desirability of bringing more private resources into higher education. Faced with an aging population and the likelihood of continuing government austerity, Belgium has embraced the private sector as the last, best hope. Private giving to universities, which had virtually ceased after full government financing was achieved, is now being encouraged through tax incentives. More important for the long run have been the systematic attempts to foster university-industry research relationships, especially through jointly

founded companies. Belgian universities now derive about ten per cent of their income from private sources.[21] Although this proportion has been growing, it represents a comparatively minor degree of privatization. On the other hand, Henri Janne and Andre Philippart point out that the successive negotiations with the Education Ministries "have greatly restricted the autonomy of universities, and more particularly private universities."[22] Belgian society remains committed insofar as possible to equal treatment of all cultural groups, and this attitude stands as an inhibition to the unleashing of true private initiatives that might disrupt that equilibrium.

Sweden. As the prototypical welfare state, Sweden to some extent led the general movement toward nationalization in higher education. In the postwar era all of the private institutions were absorbed by the state, save the Stockholm School of Economics, which retained strong backing in the business community.[23] The nationalizing trend reached its zenith when a far-reaching government reform, which was begun in 1968 and enacted in 1975, was finally implemented in 1977. One of the intentions of the reform was to enhance the responsiveness of higher education to Swedish society. This process, however, was envisioned as working largely through public agencies. Local and regional governments, plus the large quasi-public associations, were to exert a continuing influence on higher education through government boards and by contracting for research.[24] Private industry was given comparatively little input under these arrangements. In fact, under Social-Democratic political hegemony any intrusion of private interests into higher education was regarded with distrust. Contracts between firms and universities, for example, had to negotiate a path through multiple levels of approval.

In the past decade the pendulum has begun to swing in the opposite direction. Given the extent of the public sector in Sweden, there is a comparatively restricted scope for privatization. But the official attitude toward business involvement with universities clearly reveals this change. Contractual arrangements between firms and universities for either research or special courses are now explicitly encouraged. An inducement has been built into the tax system as a combination of an excess-profits tax and a tax credit for expenditures

on university projects.

Swedish universities, moreso than those elsewhere in Europe, are fairly well-suited to make these linkages with industry. Research generally in Sweden has been concentrated in the universities, rather than parcelled out to special laboratories. Fully one-third of university personnel are externally funded for purposes of research. Although most contract research comes from other sectors of government, the establishment of university science parks is in the process of realization.[25]

A small but symbolic event has been the reemergence of the Gothenburg School of Economics. Swallowed up by the University of Gothenburg in 1971, it has recently been restored to a separate identity within the university. In this guise it has been able to reestablish close contacts with the business community, including a significant amount of voluntary support.[26]

A trend toward privatization has been evident in each of these welfare states, and in each case it has been motivated in part by the limitation of government resources for higher education. The effects of government cutbacks or erosion of support have been severe in Britain and Belgium, significant in Australia, and comparatively restrained in Sweden. Relative deprivation has nevertheless become the principal goad for seeking private resources.

In each of these countries the private input to higher education has been increased over the last decade, although given the nature of these systems the percentages involved have been rather small. The trend, nevertheless, would seem to indicate greater private inputs in the immediate future. A critical distinction exists between those undertakings that simply substitute private funds for public (e.g. fees in Australia and Britain), and those that stimulate the augmentation or adaptation of university activities. Most notable in the latter category are the growing links between higher education and private industry. Sweden has probably gone furthest in forging connections between industrial and university research, but Belgium too has an active policy. In Australia, by way of contrast, the public universities may be outdistanced by their emerging private competition.

This last case reveals a different facet of privatization. Where measures are taken to assure that publicly and privately controlled

institutions are as alike as possible (Belgium) the public/private distinction obviously decreases in significance. In Sweden and Britain, dependence upon private financial resources keeps small, singular private institutions responsive in some degree to external constituencies. Only in Australia, however, are privately sponsored institutions providing the initiatives for adapting higher education to changing conditions.

The Napoleonic Educational Structures: France, Italy, and Spain

The higher education systems of these three countries bear a family resemblance that stems from a common Napoleonic inspiration. A state monopoly over the granting of higher degrees, inspired in part by cultural rivalry between the Catholic Church and the secular state, was the essential condition that shaped their developments. It has produced systems of theoretically uniform national universities, open virtually free of charge to all who pass the secondary school-leaving examinations. At different times in each country, it has been possible to found private universities under Catholic auspices; however, this has resulted in peripheral private sectors that have operated at a calculated disadvantage to those of the state.

A second point in common arises from the manner in which these similarly structured systems have adapted to mass higher education. In each case the traditional faculties of the state universities were ill-suited to accommodate the flood of secondary school graduates. In particular, these government-oriented systems have lacked the capabilities for preparing students for private-sector careers. The result has been a persistent problem of oversupply of university graduates in many fields, and an attendant phenomenon of graduate un- or underemployment (often within a context of high youth unemployment generally). Privatization, then, in these highly etatist systems tends to concern either the activities of the circumscribed peripheral private sector, or the efforts to forge a closer relationship between state universities and the private economy.

The private sectors of these three countries are of comparable size, accounting for four to seven per cent of higher education enrollments. Although Catholic institutions predominate, schools for business education are also prominent. In many cases, the distinctiveness

of these institutions has enhanced their stature in contrast with the "massification" of the state faculties. The advantages of remaining selective combine with weak financial underpinnings to virtually preclude any significant expansion of their peripheral role.

The Italian private sector consists of eight *università libere*, which enroll some 50,000 students (5%).[27] One is the long-established municipal university of Urbino, and four others are small municipal institutions of recent founding (which were actually founded with the aim of being taken over by the state). The three truly private components of this sector comprise a typical peripheral complement to a Napoleonic system. The Catholic University (f. 1921) is the largest with some 19,000 students and a full range of faculties. Like other *università libere* it receives about 15 per cent of its income in subsidies from the state. The Bocconi University (f. 1902) and the Free International University of Social Studies [LUISS] (f. 1966) are both essentially business schools. They are selective in admissions, and their graduates have far better job prospects than those from state universities. It is also consistent with this nexus between private higher education and business that more than a third of the Catholic University students are found in the faculty of economics and commerce.

The French private sector has taken shape along these same two dimensions.[28] Most of the French business schools are under the control of local Chambers of Commerce and Industry, which are quasi-public bodies (a few of these schools are associated with state universities). They vary in selectivity, and hence in prestige; but all generally offer superior employment prospects compared to the universities. The Catholic universities were founded in the 1870s, but have been hampered since then by their inability to grant national degrees. They have consequently focused upon cultural and service activities that tend to complement the state academic structure. Only the Catholic University of Lille contains a full five faculties. Another dimension of private education, covering the first two postsecondary years, has grown out of the Catholic *lycées*, and thus bears close resemblance to the patterns of French secondary education.

In Spain four Catholic universities provide private alternatives

to the thirty state universities.[29] Since 1962 these Catholic institutions have been empowered to give degrees recognized by the state. The private universities generally have emphasized programs favored by business, and this, together with the recognized rigor of their teaching, have resulted in favorable job prospects for their graduates. The recent University Reform Law (see below) has officially permitted the creation of additional private institutions, religious or secular. Such a course of development would be a new departure for a system of the Napoleonic type. A likely financial basis for such a development, however, would seem to be lacking, since student tuition covers only a fraction of costs, and the state is too hard-pressed to provide subsidies. Business has funded discreet programs, particularly at the level of the third cycle (i.e. graduate level); but it seems doubtful that private financing for entire universities will become available anytime soon.

Peripheral private sectors have been generally thriving in these three countries precisely because they have provided alternatives to the massification of the state universities. Their success stems from remaining within their niche, and thus precludes large-scale replication. The greatest success, for both private and public institutions (like the French *grandes écoles*), has come with high selectivity.[30] In addition, the financial underpinnings of further expansion are absent. These private sectors are thus, in a sense, too peripheral to affect the mainstream of higher education.

The state universities in these Napoleonic structures have historically been closely administered by a national ministry, while at the same time dominated within the universities by the senior faculty. In a classic analysis of the Italian case, Burton Clark has depicted the immobility resulting from the balance of power between the state bureaucracy and a professorial oligarchy dominated by what Italians call the *baronato*.[31] Breaking this organizational gridlock thus seems to be a prerequisite for reform. This effort has been underway in France for almost two decades; has recently begun in earnest in Spain; and seems to be perpetually on the agenda in Italy.

A widely recognized need in these countries is to achieve a better articulation between university programs and opportunities in the labor markets. One approach to this problem has been to establish controls over admittance to university programs through

instituting a numerus clausus. This improves the possibility of raising standards—by admitting only the better students, and presumably having somewhat greater authority over them after admission. To a considerable extent, however, restrictive admissions are a zero-sum game that advances the value of certain credentials against others. Alain Bienaymé estimates that the restricted parts of French higher education have increased to 40 per cent of enrollments in recent years. In Spain, when the recent University Reform Law made it possible to establish a numerus clausus for the first time (outside of medicine), 442 out of 758 units immediately imposed such restrictions.[32] More in keeping with trends toward privatization, however, are efforts to elicit inputs from employers in these highly insular systems in order to fashion programs that would impart potentially productive skills.

In France the effort to vocationalize the university curriculum began shortly after the post-1968 reorganization of the universities. The focus of these efforts was the "second cycle," the last phase of university study for most graduates. A reform proposed in 1976 called for, among other things, the creation of technical study groups, including representatives from industry, for the purpose of designing professionally (or occupationally) oriented degree programs.[33] That reform was largely blocked by massive student demonstrations. In the years that followed, features of this reform have been instituted in piecemeal fashion. Most important for articulation with the labor market have been the creation of increasing numbers of vocationally specific maitrisse programs (4th-5th years of study). The academic core of the universities has nevertheless remained recalcitrant to such changes, as perhaps it should. In 1987 the latest version of the second-cycle reform was withdrawn entirely in the face of student opposition. On a parallel issue, stimulating linkages between universities and industrial research, a policy of official encouragement has made small headway due to structural obstacles. In sum, then, the same tendencies that are encouraging privatization elsewhere are discernible in France, but have had far less room to operate in the centrally orchestrated French university system.

Until recently the state university system of Spain has been characterized by the same insularity and organizational immobility

as that of Italy. The Higher Education Reform Act of 1983, following on the new Constitution of 1978, was intended to bring about a decisive break with the old Napoleonic mold. Spanish universities have been granted considerably more control over their own affairs, but, of course, only the future will show if they are able to employ these new powers effectively.[14] The most important innovation for the purpose of bringing external influence to bear on the university has been the establishment of "social councils." These bodies of fifteen to twenty members are drawn from the university (40%) and the community. Their purpose is to foster contacts between the university and its region. They have, in theory, been given rather extensive powers of approving budgets and appointments. But in practice their effectiveness, like that of American boards of trustees, is likely to depend upon a chemistry of cooperation, restraint, and mutual respect.

In general, it could be said of these systems that the attenuation of their Napoleonic structures is itself a development that is consistent with privatization; but, with the possible exception of Spain, the establishment of significant private inputs into these state universities has as yet made comparatively little progress.

Mass Private Sectors: Brazil, Colombia, Puerto Rico and Japan

Higher educational systems characterized by mass private sectors represent a distinctive kind of adaptation to the rapid expansion of social demand for higher education.[15] Essentially, public institutions being unwilling or unable to accommodate this demand, it has been permitted to overflow into private institutions—either established universities that remain open to all comers, or more modest institutions created largely to serve this demand. Mass private sectors are inherently hierarchical. All possess older private universities with comparatively high standards and selective admissions. The distinctive feature of mass private sectors—the overflow demand—nevertheless represents the "low end" of higher education. Income is low in these tuition-dependent schools, and so are the inputs of educational resources. Standards thus become inherently problematic. The students tend to have poorer academic preparation, to come from lower social backgrounds, and to attend part-time. They are likely to be vocationally oriented, a motivation

that the institutions are quite willing to oblige. While it is all too easy to deplore these conditions in mass private sectors, it should be borne in mind that the students who patronize such institutions have few other alternatives. The very deficiencies of these systems invariably become the focus for public policies. Brazil probably best exemplifies the predicament of mass private sectors; Colombia is quite similar, but with somewhat more balance between the two sectors; Puerto Rico, because of its unusual fiscal relationship with the United States, represents a special case; and Japan might be considered a second-generation mass private sector.

The preconditions for the development of mass private sectors are, first, a very rapid growth in the number of secondary school graduates; second, an inability of state institutions, generally for financial reasons, to accommodate the burgeoning demand; and third, of course, the freedom to offer higher education privately. In Brazil, for example, public policies aimed at emphasizing the expansion of secondary education were evident in the decade 1965-75. Enrollments in public secondary schools increased sixfold, the proportion of students in the public sector swung from 35% to 60%. Systems in such a rapid state of expansion cannot possibly adapt to labor-market conditions; the additional graduates invariably have little choice but to continue on to school. Although Brazilian state higher education grew rapidly during this decade (fourfold), the private sector ballooned even more rapidly (almost ninefold). By 1975 its share had increased from 44% to 62% of total enrollment.[36]

Brazilian higher education expansion during this decade constituted the heart of what Daniel Levy has called the "third wave" of private-sector growth.[37] The majority of these students flowed into secular, nonelite, unselective institutions. Colombia entered its explosive growth phase with a private sector that in many ways paralleled its public institutions, having both Catholic and secular universities of recognized quality. Its "third wave" occurred somewhat later than Brazil's, but was accompanied by the proliferation of the same kind of institution. By 1980 the Colombian private sector too claimed nearly 60 per cent of enrollments.[38] In both countries this third wave of growth constituted privatization of a sort: the majority of new institutions were under private control, and they

depended almost entirely for their finances upon student fees. It would nevertheless be mistaken to conflate these developments with current trends toward privatization.

The inherent weaknesses of mass private sectors tends to generate counterforces. In what amounts to a form of consumer protection, the state usually attempts to enforce minimal standards through close regulation—at least on paper. When private institutions are out of favor, for example, existing regulations can be enforced more rigorously, or the founding of new institutions can be made more difficult. This tendency has been operating in Brazil since the mid-1970s, but does not yet seem to be evident in Colombia.[39] In both countries, however, the peak of private sector growth seems to have been reached.[40] The proportion of private sector enrollments in Brazil surpassed 60 per cent in 1973, and has remained in the range of 59-63% since then; Colombia's private sector has been hovering near 60 per cent of enrollments since 1980.

Under current conditions there seems to be little likelihood that private institutions in either country will be able to diversify, and hence increase, their sources of support. Research and graduate education is disproportionately concentrated in the public sector in both countries. Only the high-quality private universities receive research grants from national agencies. Voluntary support from industry or wealthy families has been largely limited in Latin America to secular elite institutions.[41] Such support used to be present in Colombia, but the economic crisis that has gripped the region since 1983 has almost certainly diminished its extent. It would seem then, that higher education in both Brazil and Colombia has been little influenced by the trends toward privatization that have been evident elsewhere.

Puerto Rico developed a mass private sector quite abruptly during the mid-1970s. As late as 1965 more than two-thirds of enrollments were in state institutions, but in 1976 the private sector surpassed the public. In the 1980s roughly five of eight students have been enrolled in private institutions. In the Puerto Rican case, however, this does not represent growth fueled by private resources—quite the opposite. The explosive growth of private enrollments occurred as Puerto Rican students became eligible for U.S. need-based student aid, particularly that provided by the program of Pell Grants

(1972). Given the prevalence of low incomes on the island and an extremely high rate of youth unemployment, subsidized college attendance offered to many a highly attractive alternative. While state institutions were not eager to cater to this new source of demand, private entrepreneurs definitely were. Some seventeen of the island's fifty institutions are private, post-Pell-Grant creations.[42]

The situation at one of the older private universities demonstrates the unusual situation that has resulted. At the Inter American University of Puerto Rico half of the students come from families with annual incomes below $6000. Pell Grants now provide seven-eighths of student financial aid at the university (other federal programs supply most of the rest); and the magnitude of student aid is equal to ninety per cent of the university budget.[43] The newer, post-Pell-Grant universities depend upon this federally supported clientele even more heavily. Clearly, any significant reduction in US federal student aid would have catastrophic repercussions for the Puerto Rican private sector. It is rather ironic, then, that the outstanding need for the mass private sector of Puerto Rico is to diversify the sources of income by achieving a greater input of private resources.

The general pattern for mass private sectors is, of course, to be overwhelmingly dependent upon private resources—primarily student tuition—and concomitantly to be inadequately funded. The (often distant) hope for improving conditions under these circumstances usually lies with an infusion of public funds. To date, this has occurred only in Japan, making that system what might be called a second-generation mass private sector.

Japan historically has had a restricted set of prestigious national universities that were meant to meet the principal higher education needs of the state. Although several private universities were inspired by Western cultural ideals, Michio Nagai has explained how the Japanese private sector came to consist of institutions of varying prestige that were largely oriented toward certifying students for employment in private business.[44] The postwar expansion of higher education caused it to emerge as a mass private sector. Enrollment in Japanese private colleges and universities doubled from 1962 to 1968. The private sector surpassed 75 per cent of student enrollments, and also plunged into a full-fledged crisis. Besides the usual

problems of mass private sectors, such as overcrowding, low standards, and an overburdened faculty, the private sector was insolvent as well. Having resorted to loans to finance their rapid growth, private institutions were prevented by student militancy from recovering these obligations through higher charges. After lengthy deliberation, the government passed legislation that provided substantial subsidies for private colleges and universities (1970 and 1975).[45]

The developments of the early seventies represented a significant advance in the nationalization of higher education funding in Japan. It was accompanied by policies that effectively capped the growth of the private sector. As one measure, the chartering of new institutions was severely restricted. More importantly, the government subsidies themselves were weighted in ways to discourage enrollment growth in private institutions and to encourage higher standards through increased inputs per student.[46] These policies succeeded in stabilizing the numerical relationship between the public and private sectors.

Since the mid-seventies, and particularly since 1980, a new set of factors has predominated within the context of the now-subsidized private sector. The prevalence of government austerity budgets has restrained public funding for higher education. In the public sector, nonpublic sources of income have risen dramatically. Basic funding from the national government comprised more than 80 per cent of income early in the 1970s, but has fallen to 66 per cent recently. Student charges in the meantime have risen from under 2 per cent to 7.5 per cent; and earnings from affiliated hospitals have climbed from 11 to almost 20 per cent. Student tuition has risen in the private sector as well—a rational economic response to the government policy of encouraging both decreased enrollments and increased inputs. When measured against disposable family income, private sector tuition has risen 73 per cent in the last decade (1974=10.6%; 1984=18.3%). According to Shogo Ichikawa, the "limit of privatization" has been reached in terms of family contributions for private higher education.[47] Nor is it likely that public subsidies will be raised. The private institutions have thus been left to seek additional resources from the private sector by expanding earnings from services or "asset management" (i.e. selling land). In addition, the technological universities have succeeded in deriving

some revenue from private industry. All of these strategies, however, are open to only a small minority of private institutions.[48]

The countries with mass private sectors would seem to offer a somewhat mixed picture. Japan, after a significant degree of nationalization, has been undergoing further privatization of higher education income for the past decade. In Puerto Rico the need is widely recognized to counter the dependency on a single source of government funding by somehow tapping into private resources. In Colombia the state role remains circumscribed for financial reasons, so that the private sector may well be the vehicle for further growth.[49] Both Colombia and Brazil, nevertheless, would appear to be situated at the end of periods of "third-wave" private sector expansion. They would thus seem to stand outside of contemporary privatizing trends.

A Note on Third World Countries

A recent report published by the World Bank raised the issue of privatization for developing countries in an acute form.[50] In these poor countries resources of all types are sufficiently scarce that their allocation becomes a critical matter. Arguing from the basis of rate-of-return analysis, the report found that developing countries ought to be increasing their investments in education, whereas in actuality educational investments had been falling during the late 1970s. Secondly, it concluded that investments in primary education would be more productive than those for higher education. The report consequently advocated reducing the subsidization of higher education in order to divert those resources to the primary level. In compensation, it recommended shifting costs to a greater degree to the beneficiaries of higher education—namely, students. It also suggested deregulating higher education so that private, and particularly proprietary, institutions could enter the field. Such an approach would create, in embryo, conditions for the eventual development of a mass private sector.

Taken in its strong form—the reallocation of resources from higher to primary education—this report has been greeted with considerable misgiving. African leaders, for example, voiced the conviction that higher education has a central role to play in their modernizing strategies. Arguments that undermine the fragile

political support for higher education in this context are decidedly unwelcome.[51] Furthermore, the rate-of-return analysis from which this proposed policy is derived deserves scrutiny. It rests upon an uncertain statistical base, compiled more than a decade previous, under conditions in which investments in education were relatively small—hence making returns relatively large. Only a narrow positivist could be convinced that the case for a major reallocation of educational resources had been scientifically demonstrated through this "statistical exercise."[52]

Taken in a weaker form, some of the privatizing suggestions of the World Bank report merit consideration. In most developing countries higher education subsidies largely benefit the wealthiest state of the population. Moreover, many systems imitate the British example by paying student living expenses. Increased student charges under these circumstances might well free some public resources for more productive deployment. In the case of private institutions, Alexander Kwapong is undoubtedly correct that historical circumstances are not yet ripe for the blossoming of a private sector.[53] But on the other hand, there would seem to be little justification for precluding such a development in the future through restrictive regulations. Kenya, for example, had considered the possibility of allowing opportunities for the emergence of a private sector even before the appearance of the World Bank report.

Developing countries often find themselves in a vicious circle of sorts: only government can procure the resources for social investments like education; yet the heavy hand of government almost assures a dismaying degree of inefficiency in the actual conduct of these undertakings. Privatization offers one potential exit from that circle, but only when the private sector of the economy possesses sufficient vigor and wealth to provide support for viable alternatives.

Privatization in the United States

The higher education system of the United States is the world's largest and easily the most complex. Nearly 1500 publicly controlled institutions are divided into fifty independent state systems (plus a handful of federal institutions); privately controlled institutions number around 1800. Both sectors contain the gamut of institutions from two-year colleges to research universities. It is hazardous to

make almost any generalization about this diversified system without specifying which types of institution are meant. One inclusive statement would nevertheless be incontrovertible: for a generation after World War II a nationalizing (technically: "governmentizing") trend was in the ascendancy in American higher education.

The burgeoning role of government was evident in the patterns of enrollment growth, and in the predominance of public over private resources brought about by the introduction of new forms of federal funding. The post-G.I. Bill expansion of American higher education (since 1950) was dominated by state institutions. First the major state universities grew large, then they were transmogrified into multi-campus entities; teachers colleges matured into regional state universities, themselves of impressive size; and, in the last effort at widening access, community colleges sprouted and grew across the entire country. Since 1975 fully half of new college students have first matriculated in a public community college. Federal funding of university research was a wartime innovation that became a permanent feature of American higher education. It ballooned after the Soviet launch of Sputnik in 1957, and was accompanied by federal support for facilities, graduate fellowships, and libraries. Although some of this support was subsequently curtailed, even larger federal commitments were made from 1966 to 1972 for need-based student aid. By the late 1970s, when the great expansion of American higher education finally reached a plateau, 78 per cent of students were in public institutions, and 64 per cent of college and university income was from public sources (not counting student aid).[54] Developments since that date are less easily summarized, yet there is substantial evidence to suggest that a new era is at hand, characterized by a diminishing government presence in a number of areas. The components of this trend can best be evaluated by looking at developments in the public and the private sectors from the standpoint of enrollment, student charges, voluntary support, and involvement with private industry.[55]

Private colleges and universities lost no students as their share of enrollments shrank from 50 per cent in 1950 to 22 per cent in 1975. As should be apparent from the description just given, different types of public institutions expanded to absorb additional demand for higher education. The private sector grew much less, and

the role of the private institutions remained considerably more stable. The most successful institutional strategy for private colleges and universities was to limit enrollments and raise standards.

Since 1975 American higher education has entered a new era—that of the steady state. Enrollment growth has been meager and of poor quality: headcount from 1975 to 1983 grew by twelve per cent; full-time equivalent students by eight per cent; and actual full-time students by just six per cent.[56] Largely for demographic reasons, prospects for future growth before the next century are nonexistent. Private colleges and universities have held their own in this new environment: while their share of student headcount has remained at 22 per cent, their proportion of full-time equivalent students has increased from 23 per cent to 25 per cent. Even this last figure understates the educational role of private institutions: they grant one-third of all bachelor's degrees, 40 per cent of graduate degrees, 38 per cent of M.D.s, and 63 per cent of law degrees.[57]

The importance of the contribution of the American private sector is nevertheless more qualitative than quantitative. Groups of private colleges and universities constitute the acknowledged quality leaders in both undergraduate education and research. The 1982 *Assessment of Research-Doctorate Programs in the United States*, for example, determined that seven of the top eight universities were private, and ten of the top fifteen.[58] Sustaining the highest standards in both undergraduate and graduate education is exceedingly competitive, and drives costs inexorably higher. The extensive, and probably increasing, underlying demand for high-quality higher education has been one factor that has permitted these costs to be passed along to the consumer. Government policy has been another.

The Education Amendments of 1972 put in place a multipart program of federal, need-based student aid. It consisted of basic grants for low-income students, supplemental grants for high-cost education, guaranteed student loans, and subsidized work-study.[59] As the last important extension of government influence, this legislation actually paved the way for colleges and universities to pass along their increasing costs to their students. By subsidizing the most price-sensitive students, federal student aid supplied the leverage for achieving a larger student contribution to American higher education.

From 1975 to 1985 tuition increased by 140 per cent in the public sector and 152 per cent in the private sector. Since 1980 the annual increases have been consistently greater than the Consumer Price Index, although not appreciably more than growth in personal disposable income.[60] The dynamics of these increases indicate that somewhat different processes are at work in the different sectors.

Higher education is a major portion of state budgets, comprising nearly ten per cent of allocations nationwide. When state budgets were squeezed during the economic slowdowns of the early eighties, funding was invariably cut back for higher education as well. Tuition was raised disproportionately during these years as state institutions sought to maintain their real income. Tuition revenues for all public institutions increased from 15 per cent of educational and general revenues in 1978 to 19 per cent in 1983. Compared with just the instructional costs of public institutions (instruction and academic support), student charges rose from 30 per cent to 37 per cent of the total.[61] The causative effect of the economic recession is more evident when one focuses upon individual states. Those worst affected by the industrial slowdown (e.g. Michigan, Pennsylvania, West Virginia) showed increases in their tuition burden that more than doubled the national average; but more prosperous states (Oklahoma, New York, North Carolina) actually lessened the relative tuition burden.[62]

Tuition revenues in the private sector rose from 50 to 53 per cent of total educational revenues during this interval; however, compared to just the academic budget they rose from 113.5 to 119 per cent.[63] One salient feature of this rise has been the pricing leadership of the elite universities. The research universities in general have increased their expenditures at a rate well beyond the average, and their tuition increases have been greater as well. The Ivy League universities and a few others determine the tuition ceiling for American higher education, and a host of other institutions, like regional research universities and elite liberal arts colleges, set their tuitions as close to that ceiling as they deem appropriate. From 1975 to 1985 that ceiling was increased by 180 per cent, compared to the private sector average of a 152 per cent rise.[64] For a Harvard student in 1985, those increases above the average rates meant more than one-thousand dollars in additional expense.

Changes in the patterns of higher education funding in the 1980s have shifted a billion-dollar burden from public to private hands. Interestingly, this change has not been the result of conscious policy. There was some discussion early in the decade of pegging state tuition rates to a (higher) percentage of university costs, but the actual figures indicate that states responded instead to their fluctuating fiscal health. In the open market of the private sector there have been comparatively few economic restraints to raising tuitions. The different processes at work in the two sectors have been apparent during the general prosperity of the mid-1980s. In the public sector tuition increases have tended to be matched by growth in state appropriations; but in the private sectors tuition hikes have considerably exceeded the rate of inflation, which almost certainly indicates continuing privatization. During these comparatively fat years, both public and private institutions have sought to exploit another access to private resources.

Private voluntary support has been slowly increasing in importance in American higher education since 1975. From a low-water mark in the early 1970s, it has gained a full percentage point as a proportion of total E & G (Education and General) expenditures (5.6% in 1974; 6.6% in 1984). The years of the mid-1980s have been a bonanza for gifts to higher education, with each year registering more than a ten per cent real increase[65] (not including 1987). Voluntary support falls unevenly over American higher education: the twenty leading institutions garnered 28 per cent of the national total (1984-85); while more than two-thirds of American colleges and universities had no significant giving totals to report to the unofficial record-keeper, the Council for Financial Aid to Education. Nevertheless, one of the major trends has been the broadening of fund-raising efforts.

For the chief beneficiaries of voluntary support—the private research universities, liberal arts I colleges, and some major state universities—fund-raising has long been a highly organized activity. Year-in and year-out they raise somewhere near the expected amounts, a pattern broken only on the upside by interludes of intensive "campaigns." In the aggregate, then, giving totals for these schools are likely to mirror fluctuations in private wealth. In recent years increasing numbers of public institutions have turned to

organized fund-raising. For example, some seven-hundred community colleges now have associated foundations for fund-raising purposes. More important numerically has been the general increase in activity in the public sector, led by the public universities. In 1975 the public sector received twenty-five cents of each dollar given to higher education; by 1985 it could lay claim to thirty-three cents. It is too soon to determine what the effects of the 1986 tax reform and the 1987 market crash will have on giving to higher education; however, to date voluntary support has provided an additional dimension to privatization.

Gifts to higher education from business corporations rose dramatically in the 1975-85 decade, from 16 per cent of the total to almost 25 per cent. This is but one facet of a growing relationship between higher education and private industry. Probably of greatest importance is the growing interaction between industry and university research. In the decade since 1975 industry's share of university research funding has risen from three to six per cent, and that despite the fact that university research funding has been rising relative to G.N.P.[66] The topic of research cooperation and technology transfer has spawned a large literature, several aspects of which are germane in this context.[67]

The expansion of university-industry research relationships has roots in both policy and epistemology. In a number of commercially important fields the distance between basic university research and applied technology has narrowed considerably. This has been most evident in the field of biotechnology, where pharmaceutical firms have entered into multimillion-dollar research agreements with universities—and where a number of university researchers have exploited their expertise by forming their own companies. A similar epistemic convergence has taken place in areas of computing/microelectronics and materials sciences. What this signifies is that university research has acquired a greater propinquity with advanced industrial technology and, concomitantly, with the forces that drive private industry.

At the same time, this development has been encouraged by a variety of public policies. In general, these call for the expenditure of public funds to expedite private investments in university research. The engineering research institutes being established by the

National Science Foundation are a prime example. There are also large state programs like the Michigan Industrial Technology Institute and the Pennsylvania Ben Franklin Partnership program. These efforts constitute perhaps the latest area in which public policy has helped to propel privatization in American higher education. Others would certainly include the channeling of federal aid through students and, in a few states, the direct or indirect subsidization of private institutions.

Generally speaking, the movement toward privatization has resulted not from government, but from the autonomous status of American colleges and universities, their diverse sources of support in society, and their voracious quest for additional resources. For foreign observers, the American example presents a mixed picture. The reliance upon student tuition (and loans) is generally deplored; but the ability to generate voluntary support, and the close linkages that have been established with industry have in some respects set an example that other countries would gladly emulate.

4. The Issues of Privatization

The notion of privatization does not sit particularly well with the higher education community. It conjures up images of mean-spirited free-market economists, insisting that there are no free lunches. It suggests that the spirit of commerce will intrude into fateful decisions about who will receive the benefits of higher education, about what course their intellectual development ought to take, and even about which forms of knowledge will be advanced or neglected. At the Conference it was noted with some misgiving that consideration of higher education policy had seemingly drifted of late away from concern for education per se toward ostensibly crass questions of how to pay for that education. The Conference participants, then, were by no means predisposed to accept either that a macro-trend toward privatization was underway, or that such a trend would have positive outcomes for higher education. The general attitude was rather, if somewhat short of scepticism, still one of judgement reserved. In keeping with that spirit, this section will attempt to scrutinize the component issues of privatization—to go beyond the question of their incidence to that of their import.

Private vs. Public Higher Education. The national case studies on the whole revealed a stable relationship between private and public sectors in higher education. In countries with majority public sectors, private institutions seemed to be thriving, although not expanding. In nations with mass private sectors, the evidence seemed to indicate that the era of relative expansion may have ended. Certainly this was the case for the one example of a second-generation mass private sector—Japan. Only in Australia was the situation in flux: a private sector was beginning to emerge, with the likelihood of having a significant impact on higher education as a whole.[1]

The cases only indirectly addressed the underlying basis for this distinction—the differences between public and private institutions. Colleges and universities are engaged in the same fundamental tasks irrespective of whether they are "owned" by the state or by a non-governmental legal entity. In theory, the fact of "ownership" ought to affect the existence of an institution of higher education in two

43

significant ways. The first would be in the mix of tax-based and nontax-based resources. With the partial exception of Belgium, private institutions depend more heavily upon nongovernmental funds. An increase in the relative share of private enrollments, ipso facto, would mean a decrease at the margin in the social cost of higher education borne by taxpayers. The second fundamental difference would be in control, since the ultimate authority would be either the state or a nongovernmental legal entity. Both of these differences ought to affect the behavior of colleges or universities, but the extent of the effects may well depend upon the extent of the differences. The Conference Paper by Clark Kerr probed the complicated reality behind the public-private distinction.[2]

While ownership can be regarded as a dichotomous variable, the phenomenon of control has several dimensions. Because the authority over American colleges and universities, public and private, is confided to boards of trustees, public institutions are not subject to the direct control of state or politician. On the contrary, many of the major state universities are even guaranteed legal autonomy by the constitution of their state. As a result, they are "substantially privatized," in that their governance and financing are "more private than public."[3] Their boards are independent, controlling appointments and curriculum, as well as guaranteeing basic academic freedom from the faculty. They receive a large minor share of their funding from private sources (tuition, gifts and endowments), and even more from "privatized" sources. These latter represent public funds that find their way to universities via a nonpolitical intermediary. Funds for federal student aid and for research, in particular, are voted by Congress in the aggregate, but the actual funds that reach an individual school come through students or independent granting agencies like the National Science Foundation or the National Institutes of Health. The substantially privatized universities enroll about 15 per cent of American students, and would indeed seem to enjoy considerable autonomy from the federal government and the states in their actions.

From this perspective the remainder of the American public sector would fall into the categories of "partially privatized" or "semi-public." The former would consist of those state universities that are more heavily confined to teaching (30 per cent of enrollments).

They receive less funding from private (gifts) or privatized (research) sources, and they have less discretion in the expenditure of funds received from the state. Nor do their faculty play as large a role in the running of these institutions. In the semi-public category lie most of the public community colleges (35 per cent of enrollments). They conduct no research, receive few gifts, and are with some exceptions under closer public control.

American higher education, in this view, forms something of a continuum, running from semi-public through privatized to completely private. Two intriguing questions arise from this perspective: To what extent can this continuum of nuanced privateness be used to understand developments in other countries? And, is the center of gravity of this continuum moving in the direction of greater government or more privatization?

The subtleties of the American system are partly the result of a large sphere of activity that takes place in between government and private industry. A good deal of this occurs in private, not-for-profit organizations. The magnitude and scope of this nonprofit sector is one of the distinctive features of American society. Almost all "private" colleges and universities are nonprofit organizations, as are many hospitals and foundations that raise and dispense funds.[4] On the other side of this very fuzzy public-private divide are somewhat comparable nonpolitical governmental organizations—those that are insulated, usually by separate boards, from the political process. They are a chief source of privatized public funds. This form of organization is also utilized with infinite variation to accomplish public purposes in Western Europe.

All the Northern European countries have Research Councils, or their equivalents, that operate like the NSF or NIH.[5] They thus provide privatized funding for public universities. The national universities of these countries vary, however, in the extent to which they are privatized. The British universities, with their block-grant funding from the UGC, used to stand at one extreme; while the Napoleonic university systems of Mediterranean Europe represented the other. The era of nationalization in Europe was accomplished by measures aimed at decreasing the autonomy of universities—"publicizing" them in effect.[6] In some countries these tendencies encompassed private institutions. The Belgian private universities

after 1971 had to conform exactly to state university patterns in such things as terms of faculty employment. The Stockholm School of Economics adopted, as an implicit price for retaining its independence, state norms in admissions and tuition. The meaning of privateness was definitely circumscribed as a result of such measures.

It is perilous to render judgement in this ambiguous area, where small changes in procedures are often accompanied by sweeping accusations. It would nevertheless seem, on the basis of fragmentary information, that the balance of publicness and privateness have stabilized of late everywhere except the U.K. There the proposed abolition or replacement of the UGC would seem to exemplify a long slide toward decreasing autonomy.[7] The enforced privatization of British universities as a result of slashed government funding has been accompanied by a growing government intrusiveness in the conduct of university affairs.

In Australia, a situation similar to that of the U.K. is being addressed in almost the opposite sense. The state universities have been challenged to expand private sources of revenue. This would imply a greater degree of autonomy as a virtual precondition for the freedom to innovate. In addition, the fully private sector that is struggling to be born represents a distinctive alternative to the state institutions. Clearly it is too soon to pass judgement upon these events, but the direction of change is away from government control of higher education on both these counts.

In the Napoleonic higher education systems and in the mass private sectors the line between public and private is generally both sharp and meaningful. In the former type, differences between public and private universities are greatest in France and less pronounced in Italy. Only in Spain is there a concerted effort underway to at once privatize somewhat the control of state universities through social councils and to integrate the Catholic universities with the national universities, at least for purposes of higher education policy. Mass private sectors might be envisioned as continua if one considered such examples as elite private universities in Colombia that receive government research funds, or somewhat privatized state institutions like the University of the Philippines. But the distribution of institutions across these continua are decidedly uneven. A large proportion of institutions and students are found at the private

pole, where colleges depend almost exclusively upon student fees and respond primarily to student demand. Such institutions, furthermore, are usually heavily regulated, making them highly private but not very autonomous.

This conclusion points again to the ambiguity inherent in the notion of control over academic institutions. Institutional discretion covers different aspects of higher education in different systems. To compare these countries systematically, or even to construct an institutional taxonomy within a system, would seem to require a matrix of social action that covered admissions, curriculum, spending, faculty authority, and a host of other matters.[8] Lacking this analytic equipment, we will have to rest content with recognizing the relativity of the public-private distinction of comparative purposes, as well as the relevance of the Kerr analysis for understanding the United States.

The nationalizing era in the United States was accompanied by the extension of public authority in higher education as a whole. In part this occurred through the proliferation of the "semi-public" community college system; in part it resulted from the increased influence that accompanied federal sources of funding. The extreme point of this development occurred during the 1970s, when the federal government repeatedly threatened to withhold all supposedly "privatized" federal funds from institutions that did not conform to dicta from federal agencies. These pressures now seem to have eased. Moreover, in their wake the trends toward privatization that were noted in the previous section have reemphasized the channels of interaction between higher education and other segments of American society. These have enhanced a number of the positive qualities inherent to the mixed American system, including competition and diversity among institutions, flexibility and adaptation of labor markets, and attention to the welfare of individual students.[9] Indeed, it is these qualities of American higher education that other national systems have been attempting to duplicate.

The Articulation of Higher Education and Society. About this general topic, one might well ask whether it forms a part of privatization, or if privatization is in fact a component of this larger phenomenon? Clearly the focus of the articulation issue is to bring

the research and education of mostly public institutions to bear to a greater extent upon the needs of the private economy. On the other hand, articulation as a public policy transcends the limits of higher education, especially where research is concerned. Implementation of this policy usually involves an active role for government.

Harlan Cleveland in his presentation to the Conference emphasized that in the United States the dividing line between public and private has become considerably blurred, and furthermore that "the blur is where the action is."[10] The reason for this is that the preferred means for accomplishing these objectives have been various forms of public/private partnerships, whose protean forms seem to spring from the fertile imagination of lawyers. Government has put forth money to encourage private businesses to invest in university research; universities have formed consortia to conduct research for public and private sponsors; nonprofit research corporations have been established to mediate between university laboratories and industrial development. Such combinations extend to other realms: public universities form private foundations to receive gifts so that the income will not offset public appropriations; private nonprofit universities form partnerships with for-profit investors in real estate deals. These last two examples are actually concerned with maximizing income, while the former represent partnership with a policy focus. There are probably three related reasons for this type of public-private intertwining—international competitiveness, technology transfer, and limitation of government.

The first two of these factors were discussed in the previous section. International competitiveness in high technology fields now requires that industry have access to the findings of basic scientific research in a number of critical areas. It would be safe to say that every Northern European country now has policies in place to develop and assist these linkages. The paramount actor in these schemes, however, is private industry. For that reason, these policies do not necessarily encompass higher education. In both France and the U.K., for example, government plans are afoot to develop separate laboratories for these important technologies outside of the university systems.[11] In the United States, on the other hand, much critical research expertise resides with university-based scientists. Hybrid organizations are thus designed to make connections, often

with government assistance, between higher education and private industry.

The final stimulus for hybrid, articulating institutions derives from a diffuse but evident disillusionment with pursuing social ends through the direct actions of government. When imposed by Margaret Thatcher or Ronald Reagan, such policies are considered conservative; when implemented in Communist societies they are regarded as liberal. Although ideology often surrounds them, the impetus for limiting the government role in large measure reflects practical considerations of both cost and effectiveness: Countries have been constrained financially to limit government programs; and they have recognized the efficacy of seeking public policy goals through the channeling of private interests. For European higher education, in particular, the challenge has been to get greater private input into university programs. The establishment of social councils in Spanish universities may be the latest manifestation of this trend, in line with similar institutions in France and Sweden. In these contexts, as well as in Australia and the U.K., the issue of articulation directly implies enhancing the nongovernmental influences on higher education.

Voluntary Support and Corporate Research. Articulation is seldom perceived as an issue in American higher education precisely because there are ample conduits for private interests to be expressed. Besides lay boards of trustees and the insistent vocationalism of American students, perhaps the two most significant of these channels would be the continual quest for gifts and the direct involvement with industry through research. Both these latter phenomena are rightly regarded as among the outstanding strengths of the American system of higher education; and their prominence, as was already reported, has increased in recent years. Before considering the applicability of these practices to other systems, it is appropriate to look at their potential drawbacks for American institutions.

There are generally few complaints that can be made about receiving gifts. American colleges and universities are sophisticated supplicants. They generally avoid gifts that would compromise their integrity—and the occasional exceptions would prove this rule.[12]

They also avoid dependence upon this kind of income—at least until it is safely invested as endowment. Voluntary support for the most part allows them to do things that they want to do, but might otherwise not be able to do. For public institutions it is almost a necessity for gift appeals to invent such discretionary projects that are not perceived to be the responsibility of public authorities. Still, the pursuit of gifts has real costs.

For all the major recipients of voluntary support, this activity is highly organized. The expense of maintaining a development office, a small army of fund-raisers, and an extensive network of alumni relations is seldom disclosed. In the absence of disclosure I would hypothesize that the following would be true for most institutions engaged in serious fund-raising: a) the marginal cost of fund-raising is unknown; and b) the development office has grown more in the last decade than any other administrative unit. A less obvious cost would be that continual fund-raising puts universities into the entertainment business. This adds greatly to the public support for certain universities, but it also detracts from their seriousness of purpose. A third cost is paid at the highest level: large-scale fund-raising is conducted out of the president's office and, particularly in private institutions, fund-raising has become one of the chief activities of the president. Finally, as any Marxist would surely point out, the great importance of fund-raising in many institutions gives the wealthy an entree to the halls of academia not possessed by others. Carried no further, this argument would undoubtedly be correct. American universities will not necessarily do the bidding of their benefactors, and do decline gifts for this reason; but individuals with wealth to give can be assured of a hearing.

The success of American higher education philanthropy has set a compelling example to the rest of the world. Oxford University has recently announced that it will soon launch a worldwide campaign to raise support for the university. To this end, it has recruited a development officer from an American university to become the head of a permanent fund-raising office. The leading Japanese private universities have also started seeking contributions American-style. These practices are likely to spread, at least where they are culturally feasible. Even more widespread, however, would seem to be the cultivation of working relationships with private industry.

Research relationships between business firms and higher education began in institutes of technology and engineering departments in the 1920s, and have since become a permanent, and recently expanding, fixture in the American system. They have always been regarded with some disdain in the academic core of the university, and this mistrust has been fanned in recent years by the signing of million-dollar contracts for biotechnology research. Industrial influence on higher education has been seen as providing undue support for only selected areas of the university; for distorting research toward applied subjects; for encouraging opportunism on the part of the professoriate; and for appropriating knowledge advances for private gains. But according to Clark Kerr, "these potential, and sometimes actual, dangers have, overall been more than offset by [other] advantages:"[13] research contracts provide additional funds for the institution; they bring academic researchers into contact with other productive sectors of the economy; and they ultimately ought to enhance the contribution of higher education to economic growth.

As other countries attempt to induce greater cooperation between university and industrial scientists, they may encounter some difficulty in achieving the delicate balance which has evolved over time in American institutions—and which is only maintained through continual vigilance. Universities may indeed derive additional revenues from industrial contracts, but these profits are necessarily limited by the competitive market for research. The direct benefits of these research relationships accrue first of all to the individual scientist, and perhaps to a few graduate students. The contractor too ought to stand to gain, and then possibly the university. Any university that places profits ahead of the facilitation of teaching and research would be likely to reap unfortunate consequences in terms of loss of faculty loyalties and services. By the same token, the entrepreneurial impulse of some faculty cannot be allowed free reign, but needs to be contained through safeguards in order to avoid the neglect of basic academic duties.

In sum, the importance of both private philanthropy and research relationships with industry are likely to grow steadily in the near future, and not just in the U.S. Philanthropic support of universities is likely to expand because, according to one of the axioms of fund-raising, you get more when you ask than when you do not.

Like Oxford University, more institutions that have the potential to raise money are beginning to ask. Research relationships will undoubtedly increase because the cognitive distance between industrial and university laboratories has diminished in numerous fields. The magnitude of these contributions to the financing of higher education is nevertheless likely to be limited. The large scale philanthropy that shaped the development of American higher education was a product of a unique economic and social history. Perhaps only Japan has the potential to develop in a vaguely similar fashion. As for industry-sponsored research, high technology firms conduct the great majority of their research in-house. The university complement of this research is likely to remain as merely the tip of this growing iceberg.

Private Resources from Student Charges. The World Bank recommendation, that students in developing countries who can afford to do so should pay for a greater share of their higher education, is in theory just as applicable to the developed world of Western Europe. Free marketeers aside, however, there are no accepted principles concerning just what portion of educational costs students ought to pay. As a result, at the tuitionless end of the spectrum, this has become an intensely political question; at the opposite, high-tuition pole, on the other hand, it constitutes a moral one.

The 1986-87 academic year witnessed massive student demonstrations that successfully blocked extremely modest government initiatives to introduce a semblance of university tuition in France and West Germany. The Labor Government in Australia managed to prevail against similar opposition in order to impose a token registration fee. The position of the opposition on this politicized issue would not seem to be entirely consistent. They hold, not without some evidence, that the higher education systems are predominantly the preserve of social elites, and they adamantly resist any measure that might potentially make these systems marginally more elitist—even if that would mean making the privileged pay. Of course, there is more than a smidgin of self-interest in this position, but the intensity of opposition suggests that more is perceived to be at stake.

The case for the introduction of fees appears to this writer to be

more cogent, at least in theory. It rests, not upon rates of return to human capital, but upon two practical considerations.

First, many of the state-supported European systems are seriously underfinanced, or even experiencing real cutbacks. The problem is not so much that the universities are poor (a relative concept), but that they are paralyzed: they badly need some additional source of income that could be used for discretionary purposes. Student fees, provided they were not used to offset state appropriations (as they were in Australia), could provide additional resources that would permit adaptation to changing conditions.

Second, this charging of fees need not have adverse effects upon the social composition of enrollments. Every one of these countries has a sophisticated system of student financial assistance to help qualifying students with the *indirect* costs of university attendance. These programs consist of combinations of grants, subsidized loans, and subsidized services which differ for each country.[14] Such schemes could in theory be adjusted to take into account the direct charges for university education, and could be made to reflect whatever degree of social equity that each society considered appropriate and affordable.[15]

In actuality, the politics of higher education would seem to operate according to yet another kind of logic. The fragmentary evidence from the American state systems suggests that this is an issue on which politicians hesitate to disturb the status-quo. Only those states experiencing serious budgetary difficulties transferred some of the cost of higher education from state to student, and then only during the direst fiscal duress. Higher education has the backing of a powerful middle-class constituency: fundamental issues about who should pay for and who benefits from higher education are too divisive politically to be continually confronted. This situation is all the more true for Western European countries, which are by custom and culture wedded to largely free higher education. What this would suggest, then, is that it would take a social or economic convulsion of a most unpleasant sort to break the cake of custom upholding the current arrangements.

A different set of considerations reigns in those systems where tuition provides a significant portion of higher education funding. For those systems, or parts of systems, where institutions derive

almost all their revenue from tuition, the issue is not one of policy but of markets; what the existing market will bear tends to determine how much is charged, and these charges determine the level of services offered. On the other hand, there are some situations in which there is a significant degree of discretion in the setting of student fees.

In both the American and Japanese private sectors, rising tuition in recent years has propelled the privatization of university revenues, and in both countries tuition has reached levels that appear to be dangerously high. Two factors would seem to lie behind this steady increase. Howard Bowen's laws of higher education costs hold that, "in quest of excellence, prestige, and influence . . . each institution raises all the money that it can . . . [and] spends all it raises."[16] There can be no doubt that these institutions have legitimate—even compelling—reasons for requiring ever-increasing revenues. The second factor is that these highly selective institutions face little constraint from the supply of willing customers. With ten or more applicants for each place, they have few incentives to moderate their price. Nor is there much scope for consumer resistance: admission to these elite institutions is only earned through a prolonged, anxiety-filled process. When a student succeeds in being accepted to Yale or Waseda, for example, the attendant financial sacrifice is seldom weighed against future rewards. In the U.S. the non-affluent student will readily accept the necessity of borrowing in order to attain the proffered honor.

At this point a real moral issue arises: to what extent should students be induced to mortgage their future in order to pay for their education? In European countries like Sweden and West Germany, the terms of subsidized student loans are quite liberal; but in the U.S. they have been relatively severe. The expedient of loans has been more popular with universities than with politicians. It has allowed institutions to maintain a fairly large recruitment pool even while raising their prices; whereas politicians have bristled at the rates of loan defaults. For a substantial number of American students this method of undergirding high tuition levels has generated onerous personal burdens.[17] In Japan, the virtually mandatory family contributions have similarly caused hardships. Clearly, then, the escalation of student charges that has been led by the most

60

prestigious private universities in both countries has produced an unwelcome dimension of privatization.

5. Privatization in a Contemporary Perspective

Generalizations are intended to impose some sense of order on the world, and they must be continually tested against reality in order to gauge the validity of the ordering that is posited. The international trend toward privatization in higher education is a generalization of the grossest sort. Tracking down relevant evidence concerning it has taken this discussion around the world and into such peripheral areas as government science policy, student wallets, corporate research, and individual philanthropy. Not all of the developments that were reviewed could be enlisted in the cause of privatization, but the plethora of evidence, over so wide a geographic scope, suggests that there is a core of developments which lend plausibility to the macro-generalization of privatization in higher education.

The phenomenon of privatization has greatest coherence when juxtaposed against the generation-long trend of increasing nationalization in higher education. As yet, it has not attained anything like the magnitude and impact of that anterior movement; nor does it appear likely to in the foreseeable future. Two corollaries derive from this view. The effects of privatization are tenuous in other countries that did not experience a pronounced expansion of the government role in higher education. And, far more than an explicit policy, the initial phase of privatization that has been experienced in approximately the past decade arose more than anything else as a reaction to the preceding aggrandizement of the state.

In part, it has been seen that privatization was driven by privation. The persistent necessity of pruning huge government budgets has in many countries deprived state universities of needed resources and driven them to seek income from nongovernmental sources. Government policies in the 1980s have generally sought to maximize the growth of private wealth, rather than the immediate collection of tax revenues. This in itself has encouraged some reorientation on the part of higher education.

In part, too, there has been disillusionment with the efficacy of direct government attempts to achieve social policy goals. More

specifically, there has been increasing recognition that to enhance the contribution of higher education to society would require more direct interaction between universities and private industry. By decentralizing control somewhat, it was hoped that Adam Smith's Invisible Hand might provide more and better direction for higher education, albeit with some visible government guidance.

Tendencies favoring privatization have been considerably assisted in several countries by the resurgence of prosperity in the private sector of the economy since the early 1980s. This prosperity has been accompanied by an attenuation of the distrust with which private industry was regarded throughout much of the nationalizing era. Although these suspicions have by no means disappeared, their abeyance has made linkages between the university and other sectors of society far more palatable within academe than had formerly been the case.

In the final analysis, privatization and its several components ought to be judged by the extent to which they have helped or hindered the accomplishment of the basic ends of higher education. On this score, privatization of income has clearly mobilized additional resources for higher education. Moreover, by increasing the pluralism of higher education funding, it has tended to enhance the freedom of institutions as well. In addition, by expanding the interaction between higher education and society, privatization would seem to have contributed toward expanding the relevance and usefulness of higher education as a whole. The caveats have been noted in the previous section. On balance, however, privatization would not seem to be a cause to be rejected or embraced ideologically, but rather one to be encouraged for the attainment of tangible practical benefits.

NOTES

2. Privatization in Historical Context

[1]Martin Trow, "Problems in the Transition from Elite to Mass Higher Education" in *Policies for Higher Education* (Paris: OECD, 1974), 51-104; idem. "Reflections on the Transition from Mass to Universal Higher Education," *Daedalus* 99 (1970):1-42.

[2]E.g. Organization for Economic Cooperation and Development [OECD], *Toward Mass Higher Education Issues and Dilemmas* (Paris: OECD, 1974). Roger L. Geiger, "Two Paths to Mass Higher Education: Issues and Outcomes in Belgium and France," Yale Higher Education Research Group, Working Paper No. 34 (1979).

[3]Roger L. Geiger, *Private Sectors in Higher Education: Structure, Function and Change in Eight Countries* (Ann Arbor: University of Michigan Press, 1986).

[4]Privatization as a general phenomenon was discussed in the Conference by Martin Meyerson.

[5]A.H. Halsey, "A Sociologist's Viewpoint" in OECD, *The Welfare State in Crisis* (Paris: OECD, 1981), 13-28.

[6]Milton Friedman, *Capitalism and Freedom* (Chicago: University of Chicago Press, 1962); George Fane, "Education Policy in Australia," *Economic Planning Advisory Council Discussion Paper* (Aug. 1985); Brian Griffiths & Hugh Murray, *Whose Business! A Radical Proposal to Privatize Business Schools* (London: Institute of Economic Affairs, 1985).

3. *National Case Studies*

[1]Walter Perry "The Role of Private Funds in the Support of Higher Education in the U.K.," ICED Privatization Conference Paper.

[2]Joyce Pemberton & John Pemberton, *University College at Buckingham: A First Account of Its Foundation and Early Years* (Buckingham: Buckingham Press, 1979); Geiger, *Private Sectors*, 141-57.

[3]Perry, "Role of Private Funds." By way of contrast, the Reagan Administration attempts to cut federal outlays to higher education have been consistently resisted by Congress.

[4]Secretary of State for Education and Science, *Higher Education: Meeting the Challenge* Cm114 (HMSO, April, 1987), 11, 37.

[5]Perry, "Role of Private Funds," 5.

[6]Sec. for Education and Science, *Higher Education*, 37.

[7]Ibid., 2; also: 7, 19, 21, 31.

[8]Perry, "Role of Private Funds," 8-9.

[9]Barbara B. Burn & Peter Karmel, *Federal/State Responsibilities for Postsecondary Education: Australia and the United States*, ICED Conference Report No. 4 (New York: ICED, 1977); Commonwealth Tertiary Education Committee, *Review of Efficiency and Effectiveness in Higher Education* (Canberra: AGPS, 1986).

[10]The Hon. J.S. Dawkins, Minister for Employment Education and Training, "Higher Education: a Policy Discussion Paper" [Green Paper] (Dec. 1987).

[11]David R. Jones & John Anwyl, eds. *Privatizing Higher Education: a New Australian Issue* (Centre for the Study of Higher Education, University of Melbourne, 1987).

[12]Peter Shack, "Address on Policy" in Jones & Anwyl, eds. *Privatizing Higher Education*, 13-18. Also, cf. Green Paper, 87.

[13]Geoff Masden, "Dawkins Opens Attack on 'Ossified' System," *Times Higher Education Supplement* (Oct. 23, 1987):10.

[14]Ibid.

[15]*Australian Study Opportunities: A Directory for Overseas Students* (Sydney: Hobsons Press, 1987)

[16]Smart, "Financial Crisis," 19.

[17]Rod Treyvaud, "Selling Education to Entrepreneurs," *The Australian* (Aug. 6, 1986), Suppl. No. 326; Also, idem. "The Hybrid

Approach" in Jones & Anwyl, eds., *Privatizing Higher Education*, 97-102.

[18]A. John T. Ford & Donald W. Watts, "Initial Plans for an Internationally Significant Private University" in ibid., 75-96.

[19]Henri Janne & André Philippart, "Universities in Belgium: Balance between Public Policy and Company Influences," ICED Privatization Conference Paper; Geiger, *Private Sectors*, 76-90.

[20]Janne & Philippart, "Universities in Belgium."

[21]Ibid.

[22]Ibid.

[23]Torsten Husén, "The Lost Private Sector in Higher Education: the Case of Sweden," ICED Privatization Conference Paper; Roger L. Geiger, "Private Higher Education in Sweden: the Stockholm School of Economics" in Jan-Erik Lane & Bert Frederiksson, *Higher Education and Public Administration* (Stockholm: Almqvist & Wiksell International, 1983), 251-62.

[24]Olaf Ruin, "Reform, Reassessment and Research Policy: Tensions in the Swedish Higher Education System" in Bjorn Wittrock & Aant Elzinga, eds. *The University Research System: The Public Policies of the Home of Scientists* (Stockholm: Almqvist & Wiksell International, 1985), 117-38.

[25]Leonard L. Lederman, "Science and Technology in Europe: a Survey," *Science and Public Policy* 12, 3 (1985).

[26]I would like to thank Kjell Harnqvist for this information.

[27]Paola Coppola Pignatelli, "The Private Sector in Italian Higher Education," ICED Privatization Conference Paper.

[28]Alain Bienaymé, "The Private Sector and the Process of Autonomization in French Postsecondary Education," ICED Privatization Conference Paper; Geiger, *Private Sectors*, 123-34.

[29]Ricardo Diez Hochleitner, "Private Universities and the Private Sector in Higher Education: Spain," ICED Privatization Conference Paper.

[30]Alain Bienaymé suggested a typology based upon competitive strategies in which some institutions were able to achieve uniqueness through either selectivity or specialization of function: "Autonomization in French Postsecondary Education."

[31]Burton R. Clark, *Academic Power in Italy* (Chicago: University of Chicago Press, 1977); Pignatelli, "Private Sector in Italian

Higher Education."

[32]International Council for Educational Development, *The Spanish University Reform: an Assessment Report* (typescript, 1987).

[33]Roger L. Geiger, The Second-Cycle Reform and the Predicament of the French University," *Paedagogica Europea* 12 (1977):9-22; idem. "A Retrospective View of the Second-Cycle Reform in France," Yale Higher Education Research Group, Working Paper No. 18 (1977).

[34]ICED, *Spanish University Reform*.

[35]"Mass private sectors" are analyzed in, Geiger, *Private Sectors*, 13-74; and Daniel C. Levy, *Higher Education and the State in Latin America: Public Challenges to Private Dominance* (Chicago: University of Chicago Press, 1986), 59-64, 178-83.

[36]Heitor Gurgulino de Souza, "Some Notes on Private Higher Education in Brazil," ICED Privatization Conference Paper; Levy, *Higher Education and the State*, 4-5; 171-218.

[37]Daniel C. Levy, "Latin America's Private Universities: How Successful Are They?" *Comparative Education Review* 29 (1985):440-59; idem. *Higher Education and the State*, 59-65.

[38]Alfonso Ocampo Londoño, "The Privatization of Higher Education in Colombia," ICED Privatization Conference Paper.

[39]Ibid.; Levy, *Higher Education and the State*, 182-83.

[40]Ocampo Londoño holds out the possibility for continued relative growth in the Colombian private sector: "Privatization," 23.

[41]Levy, *Higher Education and the State*, 226-27.

[42]Rafael Cartagena, "Public Support for Private Institutions of Higher Education: the Case of Puerto Rico," ICED Privatization Conference Paper.

[43]Ibid.

[44]Michio Nagai, "Privatization in Japan," ICED Privatization Conference Presentation.

[45]Michio Nagai, *Higher Education in Japan: Its Take-off and Crash* (Tokyo: University of Tokyo Press, 1971); Geiger, *Private Sectors*, 22-30.

[46]Geiger, *Private Sectors*, 45-51.

[47]Shogo Ichikawa, "Financial Aspects of Higher Education in Japan" (Tokyo: National Institute for Educational Research, 1986).

[48]Idem. "Educational Expenditure in the Financial Difficulties: the Case of Japan," typescript: National Institute for Educational Research (1986).

[49]Ocampo Londoño. "Privatization."

[50]*Financing Education in Developing Countries: an Exploration of Policy Options* (World Bank, 1986); Aklilu Habte, "Private Financing and Higher Education in Developing Countries: Towards Efficiency and Equity," ICED Privatization Conference Paper.

[51]Alexander K. Kwapong, "Some Comments on 'Privateness' in Higher Education," ICED Privatization Conference Paper.

[52]Philip Coombs, Conference Discussion of World Bank Report.

[53]Kwapong, "Comments on 'Privateness'."

[54]Data from U.S. Department of Education, Center for Statistics, *Digest of Education Statistics, 1985-86* (Washington, D.C.: GPO, 1986). Auxiliary services have been excluded from these percentages.

[55]In addition, Ernest Boyer in his presentation suggested another aspect of privatization of considerable historical importance in the U.S.: the influence of private institutions, like the Carnegie Foundation for the Advancement of Teaching, upon the development of American higher education.

[56]*Digest of Education Statistics*.

[57]Ibid.; Center for Education Statistics, *State Higher Education Profiles: 1985* (Washington, D.C.: GPO, 1987), 10.

[58]Lyle V. Jones, Gardner Lindzey, & Porter E. Coggeshal, eds., *An Assessment of Research-Doctorate Programs in the United States*, 5 vols. (Washington, D.C.: National Academy Press, 1982-83); David S. Webster, "America's Highest Ranked Graduate Schools, 1925-1982," *Change* (May/June 1983):14-24.

[59]Joseph E. Slater, "Privatization of Higher Education in the U.S.," ICED Privatization Conference Presentation.

[60]*Digest of Education Statistics*, 158-59.

[61]National Center for Higher Education Management Systems, *Higher Education Financing in the Fifty States*, 2nd ed. (1979); 5th ed. (1984).

[62]Kent Halstead, *State Profiles: Financing Public Higher Education, 1978 to 1987* (Washington, D.C.: Research Associates of Washington, 1987).

[63]NCHEMS, *Higher Education Financing in the Fifty States*.

[64]Based on average tuition at Harvard, MIT and Princeton.

[65]The following data on voluntary support were taken from the annual publications of the Council for Financial Aid to Education: *Voluntary Support of Education*, (New York: CFAE).

[66]National Science Board, *Science Indicators, the 1985 Report* (Washington, D.C.: GPO, 1985).

[67]E.g. National Science Board, *University-Industry-Research Relationships: Selected Studies* (Washington, D.C.: NSF, 1982); Government-University-Industry Research Roundtable, *New Alliances and Partnerships in American Science and Engineering* (Washington, D.C.: National Academy Press, 1986).

4. The Issues of Privatization

[1]As this is written, the flux in Australian higher education has been especially apparent. Plans for a second private university, a business college based jointly in Melbourne and Aukland, N.Z., were announced early in December, 1987 (*Times Higher Education Supplement* (12/11/87):11). Then, a government green paper called for extensive changes in the organization of state-funded higher education. Some of these changes were consistent with the themes of privatization, and some—like coeval reforms in Britain—envisioned purposeful government intervention into university affairs (*Times Higher Education Supplement* (12/18/87) :8. Obviously, the pace of events in Australia is too rapid to evaluate fully at this juncture.

[2]Clark Kerr, "Higher Education in the United States: Public, Private, and Privatized," ICED Privatization Conference Paper.

[3]Ibid., 4.

[4]For the best overview of the American nonprofit sector, see Walter W. Powell, ed., *The NonProfit Handbook: a Research Handbook* (New Haven: Yale University Press, 1987).

[5]Catherine P. Ailes, et al., *Performer Organizations and Support Strategies for Fundamental Research: United States, France, West Germany, United Kingdom, Japan, Soviet Union* (SRI International, 1985); Lederman, "Science and Technology in Europe."

[6]Hans Daalder & Edward Shils, eds., *Universities, Politicians and Bureaucrats: Europe and the United States* Cambridge: Cambridge University Press, 1982).

[7]Secretary of State for Education and Science, *Higher Education: Meeting the Challenge* (HMSO, April, 1987), 36-37.

[8]For one admirable example of an analytical matrix, see Burton R. Clark, *The Higher Education System* (Los Angeles: University of California Press, 1983). In the course of Conference discussion, it became apparent that control over such basic university matters as admission of students, curriculum, or treatment of faculty vary widely from country to country, thereby contributing to the ambiguity of this matter.

[9]Kerr, "Higher Education in the United States," 7-8. Kerr also notes the dangers of excessive articulation: overresponsiveness to temporary labor market requirements; undue influence of alumni

or other interests; and susceptibility to changing fads.

[10]Harlan Cleveland, "Privatization of Higher Education in the United States," ICED Privatization Conference Presentation.

[11]Roger L. Geiger, "Universities and National Science Policies: Britain, Germany, Sweden, France," paper presented to Association for the Study of Higher Education Meeting (Nov. 1987).

[12]A recent gift of $500,000 to Harvard was withdrawn after it came to light that certain honorific privileges had been promised to the donors (*Chronicle of Higher Education*, 11/25/87). Incidents such as these stiffen the scruples of donees.

[13]Kerr, "Higher Education in the United States," 10.

[14]D. Bruce Johnstone, *Sharing the Costs of Higher Education* (New York: CEEB, 1986).

[15]In the 1970s Michael MacPherson reviewed the economic literature on the demand for higher education in the U.S. and reached conclusions similar to those expressed here: ". . .using government funds to keep tuition low at public institutions is hard to defend on access grounds"; and ". . .if states were simultaneously to raise public tuition rates for high-income students and expand subsidies for low-income students, they could boost both private and total college enrollment at one stroke": The Demand for Higher Education" in David W. Breneman & Chester E. Finn, Jr., *Public Policy and Private Higher Education* (Washington, D.C.: Brookings Institution, 1978), 183, 186.

[16]Howard R. Bowen, *The Costs of Higher Education* (San Francisco: Jossey-Bass, 1980), 20.

[17]The American Council of Education reported that 43 per cent of the 1984 class of college graduates owed an average of $5470 in student loans: Cathy Henderson, *College Debts of Recent Graduates* (Washington, D.C.: ACE, Dec. 1987).